Chicago Infrastructure Trust

Jobs, resilience, recovery on agenda for Lincoln Institute at APA

MarketWatch (press release) – March 28th, 2013

CAMBRIDGE, Mass., March 28, 2013 /PRNewswire via COMTEX/ -- American Planning Association to host thousands at National Planning Conference April 13-17

Jobs and economic development, recovering from the housing bust, and planning resilient infrastructure are among the issues on the agenda for the Lincoln Institute of Land Policy at the American Planning Association National Planning Conference in Chicago April 13-17.

The Lincoln Institute is a conference sponsor of the APA's annual gathering, which typically draws some 6,000 planners, elected officials, and policymakers.

The delegation is led by Gregory K. Ingram, president of the Lincoln Institute and an economist with expertise in housing and infrastructure, along with Armando Carbonell, senior fellow and chairman of the Department of Planning and Urban Form, fellow Peter Pollock, instrumental in convening city planners from around the Chicago region and across the country, and visiting fellow Daphne Kenyon, who will discuss her work on economic development and tax policy, including tax breaks for business location.

In addition to the panels featuring Lincoln Institute experts and partners, a meet-the-author and book-signing event with coffee and dessert is planned for Monday, April 15 at the Lincoln Institute's booth at the APA Expo to celebrate the publication of Made for Walking: Density and Neighborhood Form, by Julie Campoli. The book is a street-level guide to the critical elements of walkable neighborhoods, as successor to the popular volume Visualizing Density, which like all of the Lincoln Institute's publications will be available for purchase at the conference.

Two other special events are also planned:

No Small Plans: The Chicago Infrastructure Trust (Tuesday, April 16), hosted by The Next City in partnership with the Chicago Architecture Foundation and the law firm Mayer Brown, examining the groundbreaking public-private partnership and its impact on the national conversation about economic development and financing infrastructure, with Lois Scott, City of Chicago; MarySue Barrett, Metropolitan Planning Council; Rita Athas, World Business Chicago; and Roy Kienitz, Roy Kienitz LLC.

Large Landscape Conservation in Metropolitan America (Saturday, April 13), hosted by the Metropolitan Greenspaces Alliance and the Practitioners' Network for Large Landscape Conservation, an initiative supported by the Lincoln Institute and partners the University of Montana Center for Natural Resources and Environmental Policy and the Sonoran Institute, an all-day workshop on how the strategic approach of large landscape conservation can be applied to key issues for metropolitan regions including water, energy, land use, transportation, open space, recreation, and urban growth.

On Monday, April 15 at the conference, two sessions will draw from a convening of planners from the Chicago region at an all-day retreat scheduled for Saturday, and from a meeting of big city planners at the Lincoln Institute last fall, in partnership with APA and Harvard University's Graduate School of Design. What's Up with Planning Directors in Chicagoland (s530 9:00-10) will feature Peter Pollock, FAICP; Michael Blue, FAICP; Amy Connolly, Planning Director, Village of Tinley Park; Steven R. Cover, AICP, Director, Planning & Community & Economic Development, City of Madison; Catherine J. Czerniak, Director, City of Lake Forest; Thomas J. Dabareiner, AICP, Community Development Director, Village of Downers Grove; Stephen K. Griffin, AICP, Community & Economic Development Director, City of Evanston; Charles B. Haller, AICP, Director, Urban Design and Planning, City of Chicago; Hildy Kingma, AICP, Director of Econ Development & Planning, Village of Park Forest; Bruce A. Knight, FAICP, Planning Director, City of Champaign; and Craig A. Phillips, AICP, Planning Director, City of Michigan City. Big City Planning Directors Discuss Job Creation (s495 10:30-11) will include Daphne Kenyon and Armando Carbonell, AICP; Richard C. Bernhardt, FAICP, Executive Director, Nashville Davidson County MPC; Joseph A. Horwedel, AICP, Director, City of San Jose Planning; and William R. Klein, AICP, Director of Research and Advisory Services, American Planning Association.

Additional highlighted sessions include:

-- Jobs, Jobs, Jobs: Planning and Economic Development (s447 9:45-11 a.m. Sunday)(s447 9:April 14) Armando Carbonell, AICP; Thomas L. Clark, Metro Denver Economic Development Corporation; James Horan, AICP, Assistant Commissioner, City of Chicago; Joseph A. Horwedel, AICP, Director, City of San Jose Planning

-- Siting Big Infrastructure in Large Landscapes (s486 2:30-3)(s486 2:April 14) Robert Pirani, Vice President for Environmental Programs, Regional Plan Association; William L. Allen III, Director of Strategic Conservation Planning, The Conservation Fund

-- Addressing Development Entitlements (s561 2:30-3)(s561 2:April 15)(s561 2:2013) Kathy Rinaldi, Teton County; David S. Silverman, AICP, Attorney, Ancel Glink; Jim Holway, FAICP, Director, Western Lands & Communities, Sonoran Institute; Donald L. Elliott, FAICP, Director, Clarion Associates

-- Senior Management Forum (s812 9:00-10)(s812 9:April 16)(s812 9:2013) Armando Carbonell, Peter Pollock, and William Klein

-- Working with NGOs for Landscape Conservation (s644 2:30 to 3)(s644 2:April 16)(s644 2:2013) Ole M. Amundsen III, Strategic Conservation Program Manager, The Conservation Fund; Thomas L. Daniels, Professor, University of Pennsylvania; Richard Pruetz, FAICP, Consultant, Planning and Implementation Strategies

-- Creating Land Conservation Partnerships (s647 4:00 to 5)(s647 4:April 16)(s647 4:2013) Arnold Randall, General Superintendent, Cook County Forest Preserve District Carolyn Campbell, Coalition for Sonoran Desert Protection

-- The Future of the Planning Profession (s676 9:00-10)(s676 9:April 17)(s676 9:2013) Uri P. Avin, FAICP, Research Professor, National Center for Smart Growth; Bradley R. Barnett, PlaceMatters; Francis Hebbert, Director of Civic Works, OpenPlans; Peter J. Park, Associate Professor Adjunct, University of Colorado-Denver; Ray Quay, FAICP, Academic Professional, Arizona State University.

The Lincoln Institute will be blogging live from the event at the blog At Lincoln House and from Twitter @landpolicy and on Facebook. APA news will be posted here.

The Lincoln Institute of Land Policy is a leading resource for key issues concerning the use, regulation, and taxation of land. Providing high-quality education and research, the Institute strives to improve public dialogue and decisions about land policy.

The Surge in Freight Rail Investment

National Review Online (blog) - March 27, 2013

One often hears about the parlous state of U.S. infrastructure. This morning, Peter Orszag laments the lackluster state of U.S. roads and bridges and calls for Congress to take a series of steps, including (1) coupling increased infrastructure investment with a plan for long-term fiscal consolidation; (2) bringing back Build America Bonds (BABs), which offer direct subsidies to state and local infrastructure borrowers rather than indirect subsidies via the exclusion of interest on bonds from taxation (as Chris Papagianis has explained, however, BABs may well raise bailout risk, as foreign investors purchase them under the implicit assumption that they are backed by the federal government, and not state and local governments); (3) encouraging new forms of financing like the Chicago Infrastructure Trust; (4) and encouraging market pricing, an idea that we've often championed.

Yet there is one mode of transportation that has been flourishing even as the quality of the infrastructure controlled by the Federal Highway Administration and various local transit agencies has deteriorated, and that is rail freight. Betsy Morris of the *Wall Street Journal* describes the surge in private investment that has been transforming the rail freight industry, increasing rail capacity and increasingly outcompeting trucks as they become more reliable. Railroads have grown more deeply enmeshed in the energy sector, transporting growing quantities of crude oil beyond the narrower networks of oil pipelines, thus giving energy producers more choices as to where to sell their wares.

Back in 2011, Mina Kimes observed that the growing clout of the U.S. rail freight industry had raised concerns among shippers, many of whom have little choice but to rely on a locally dominant railroad. This in turn has led to calls for the reregulation of shipping prices, an effort that may well lead to decreased investment. Marc Scribner of the regulation-averse Competitive Enterprise Institute has more recently argued that it is unlikely that cost-based rate ceiling would prove beneficial, as it would tend to reduce capital investment across the entire network in the interest of a minority of captive shippers.

It's the Perfect Time to Fix Our Roads and Bridges
Bloomberg- March 26, 2013
Roads, bridges and other infrastructure in the U.S. are steadily growing older and weaker. Given low interest rates and elevated unemployment, this is an ideal moment to invest in fixing them.
Our structures are aging as fast as we are. From 2000 to 2010, the median human age in the U.S. rose by almost two years, from 35.3 to 37.2, and the average age of nonresidential corporate fixed assets increased by about the same amount. Fixed assets as a whole aged from an average of 20.7 years to 22.1.

A December 2010 report from the Department of Homeland Security underscores the threat. "Age," it says, "often acts together with and may reinforce the effect of other factors such as design, maintenance, and operation in increasing the vulnerability of infrastructure."

Consider the situation in New York State, where about 10 percent of the roughly 22,000 bridges were built before 1930. More than 10 percent of these old bridges have a superstructure rating of poor or worse, compared with less than 5 percent of the bridges built during the past four decades.

As my former colleague Larry Summers has written, "No one who travels from the United States abroad can doubt that we have an enormous infrastructure deficit. Surely even leaving aside any possible stimulus benefits, current economic conditions make this the ideal time for renewing the nation's infrastructure."

So what to do?

Barbell Approach

The 2009 stimulus bill helped a bit -- it allocated about $100 billion to infrastructure investment (estimates vary slightly depending on the definition of “infrastructure”). But that was only about 12 percent of the total bill, and it was not sufficient to address the growing problem.

Four steps are needed now.

First, we need to couple immediate federal spending on public assets with substantial, credible deficit-reduction measures that are scheduled to take effect later on. Such a“barbell” approach to fiscal policy would require that Republicans acknowledge the value of additional stimulus while the unemployment rate is high, and that Democrats see how Medicare, Medicaid and Social Security could be preserved and strengthened through certain cost-saving measures over time. The upfront piece should include an ambitious $250 billion infrastructure program (including federal, state and local spending) over the next two years.

Second, we should bring back Build America Bonds. The traditional approach to state and local infrastructure financing allows the interest on the bonds to be excluded from federal taxation. That approach has been shown to provide undue benefit to purchasers in the top marginal-tax bracket. Build America Bonds, in contrast, provide a direct subsidy to the borrowers, and thereby deliver more of the federal subsidy to the state and local governments.

More than 2,000 Build America Bonds were issued in 2009 and 2010, and the Treasury Department has estimated that state and local governments have saved $20 billion in present value as a result. It’s time to bring the program back.

Third, federal policy makers should see how innovative programs such as the Chicago Infrastructure Trust work in practice. If Chicago can point the way for other cities to attract new forms of financing, it will have done a great service.

User Fees

Finally, federal, state and local governments alike should expand the use of pricing to get the most out of existing roads, bridges and the like and to finance improvements. User fees for transportation, for example, should be expanded, as was recently recommended by Jack Basso, a former chief operating officer of the American Association of State Highway and Transportation Officials, and Tyler Duvall, a former assistant secretary at the Transportation Department. This approach, they noted in a paperfor the Hamilton Project, has been successful in other countries but has been used much less in the U.S. A road-pricing system could raise as much as $55 billion a year to finance new investments or deficit reduction, the U.S. Transportation Department has estimated. It would also cut congestion and carbon emissions.

In the absence of such steps, our infrastructure will only become less safe and less productive. Although we may not be able to do much about our own aging, there’s plenty we could do to keep public infrastructure young.

Former City IG Hoffman Appointed To Investigate Berrios Nepotism
Chicagoist - March 18, 2013

The Cook County Board of Ethics scored a victory in its ongoing fight with County Assessor Joe Berrios over whether Berrios' hiring of relatives violates the County's Ethics Code. A judge recently appointed former City Inspector General David Hoffman as a special state's attorney in the case.

Berrios has long refused to pay the County Ethics Board's $10,000 fine for hiring his son Joseph "Joey" Berrios and sister Carmen Cruz, claiming the County Ethics Ordinance doesn't apply to him and other elected officials outside of the County Board. The Board of Ethics also recommended firing Joe Berrios and Cruz. (Another Berrios relative, daughter Vanessa, also works in the Assessor's office but was hired by Berrios' predecessor, Jim Houlihan.)

County Board President Toni Preckwinkle said she supported legal means to get Berrios to comply with the Ethics Board's decision. The Board of Ethics requested a special investigator after Cook County State's Attorney Anita Alvarez's office refused to pick up the case. A special state's attorney to represent Berrios and Alvarez's office said representing either Berrios or the Ethics Board would be a conflict of interest. Hoffman, whose investigations into transparency and corruption in City Hall often drove former Mayor Richard M. Daley mad, is currently in private practice and serves on the board of Mayor Rahm Emanuel's Chicago Infrastructure Trust, where he recommended transparency guidelines for how the Trust funded public works projects with private money. Hoffman also helped draft the mayor's new ethics plan after Emanuel was elected.

It's unknown at this time how much sway Hoffman will have with his investigation but, given his dogged tenure as City IG, he may be the one person with the sway to beat Berrios. Not that we expect Berrios to care. In addition to the nepotism charges, he's refused a subpoena from County Inspector General Patrick Blanchard's office for records related to an illegal tax break given to Lewis Towers, a manager in his office. Towers owns homes in Chicago and Sauk Village (where he's also mayor) and allegedly claimed homeowners exemptions on both. Berrios again claimed Blanchard didn't have the authority to investigate his office.

Berrios' court battles against the County Ethics Board and Blanchard's office have cost the county (which is required to foot his bills) $24,716. Now that Hoffman has been appointed, those costs are sure to increase. The big loser in all of this? County taxpayers.

A time for renewal
The Economist-March 16, 2013

RAHM EMANUEL, THE mayor of Chicago, Illinois, lifts up a decayed wooden tube and waves it for emphasis. Many of the city's water pipes are over 100 years old, he says. Some, it turned out when the Water Department got round to replacing them, are made of wood. No wonder the network sprang 3,800 leaks in 2011 alone. Yet at the pace of investment that prevailed until last year it would have taken the local water company until 2059 to refurbish all the mains, the mayor points out.

Everywhere Mr Emanuel looks, he sees the need for new or improved infrastructure: pockmarked roads; century-old stations on the "L", Chicago's elevated-train network; grand but draughty municipal buildings; a congested airport; clapped-out schools and community colleges. Over the next three years alone he plans to spend over $7 billion to start fixing all this. But finding the money has required some creativity.

Cities like Chicago, with meagre investment budgets, generally rely on grants from the state and federal governments, along with municipal bonds, to pay for such improvements. However, the federal government's fiscal woes and the political impasse in Washington have been putting the squeeze on infrastructure funding. Take the highway fund, which Congress created to pay for its share (usually about a third) of improvements to roads and public transport around the country. It is supposed to be fed by receipts from the gas (petrol) tax of 18.4 cents per gallon, but this is not linked to inflation and has not been raised since 1993. Moreover, Americans are driving less, in more efficient cars, or in ones that run on something other than petrol, all of which leaves the transportation kitty increasingly bare. At the same time the cost of building roads has risen faster than prices in general, further sapping the fund's value.

Fingers in the dyke

Politics has compounded the problem. The act under which Congress doles out money from the highway fund expired in 2009. Unable to agree on how much to spend, or how to top up the shrinking fund, lawmakers passed nine short extensions of the old act before finally approving a new, two-year bill last year. But this does nothing to strengthen the fraying funding mechanism. Instead, Congress has frozen spending at the current level and cobbled together a few one-off revenue-raisers to pay for it. The Congressional Budget Office now expects the highway fund to run dry in 2014, and the gap between receipts and the present level of spending to reach $109 billion over the next eight years.

Worse, the current level of investment, even if Congress finds a way to maintain it, is utterly inadequate. More than five years after the collapse of a bridge in Minnesota that claimed 13 lives and prompted pledges to speed up repairs, almost 70,000 other bridges, or roughly 11% of the total, are still rated as "structurally deficient" by the Federal Highway Administration. The American Society of Civil Engineers (ASCE) estimated in 2009 that Americans lost $78 billion a year to traffic delays, in the form of wasted time and petrol. A further $67 billion goes on repairing the damage to cars caused by the shoddy condition of many roads. Crashes, a good number of which are also attributable to this neglect, cost a further $230 billion. The ASCE reckoned that for the period from 2005 to 2020 the country was spending only 54% of what was needed to prevent further deterioration, and just 29% of what it would take to set America's roads to rights.

Falling to bits

Nor are the problems confined to roads. The ASCE thought that America's water and sewage systems, inland waterways and levees were equally dilapidated, and that its schools, dams, airports, public transport and hazardous-waste disposal were in only slightly better shape. It blamed "delayed maintenance and chronic underfunding" and argued that the country needed to double its spending on infrastructure over five years, from a projected $1.1 trillion to $2.2 trillion. And that was at a time when infrastructure spending was being boosted by a one-off contribution from Mr Obama's stimulus.

Civil engineers, naturally, are keen on civil-engineering projects. But the Centre for American Progress, a think-tank, reached much the same conclusion in a report that looked only at the federal share of spending on essential projects. Congress, it concluded, was coughing up barely half of the $262 billion a year that was needed.

Such big sums are daunting in austere times, but the potential benefits outweigh the spending. In the short run, infrastructure investments provide a boost to a feeble recovery. The CBO estimated in 2011 that for every dollar the federal government spent on infrastructure through Mr Obama's stimulus, the value of economic activity increased by between $1 and $2.50—one of the biggest multipliers of the main components of the programme. And a study by the University of Massachusetts-Amherst in 2009 found that every $1 billion spent on infrastructure creates 18,000 jobs, almost 30% more than if the same amount were used to cut personal income taxes.

In the long run, investment in infrastructure boosts productivity by enabling people and goods to get to places faster, communicate more easily, spend less time and money on repairs and so on. One recent study found that the construction of a road typically led to an increase in economic activity between three and eight times bigger than the initial outlay within eight years after its completion. (The impact subsequently fades, presumably because congestion returns.) And since the government's borrowing costs are currently low and the construction industry is still in the doldrums, investment in infrastructure is cheaper now than it will be when the economy is humming again.

Mr Emanuel is convinced of all this. Unfortunately for Chicagoans, the politicians in Springfield, the state capital, are even less help than those in Washington. The state and local authorities have accumulated debts of about $10,000 per resident, which puts them among the top quintile in the country. The pension plan for state workers has assets to cover only 39% of its projected liabilities. In 2009 the legislature approved a series of tax increases on things like sweets and alcohol, as well as an expansion of gambling, with the proceeds earmarked for infrastructure improvements. But so far these measures have fallen well short of producing the hoped-for $1 billion a year. All this has left Illinois with the worst credit rating of all 50 American states—and little money to spare for an overhaul of Chicago's infrastructure.

The city has not always been a model of fiscal rectitude. The previous administration papered over deficits with one-off measures, prompting a downgrade in its credit rating the year before Mr Emanuel took office. Although for the most part he has since cut costs enough to match the city's means, the state's failure to amend the pension system, in which Chicago participates, raises yet another threat to its finances.

With the city, state and federal governments all strapped for cash, Mr Emmanuel has had to turn to other sources of revenue. One obvious step is to increase the charges to users of the city's infrastructure. At his urging, the city council raised water rates by 25% last year; by 2015 they will almost double. That has allowed the city to start replacing leaking water mains at two-and-a-half times the previous rate. Similarly, fares on the L are rising, which should help cover the costs of refurbishing decrepit stations. Mr Emanuel also wants to encourage more private investment in the city's infrastructure, but its left-leaning voters are touchy about anything that smacks of privatisation. They noted that a consortium to which his predecessor sold a 75-year lease on the city's parking meters immediately quadrupled the fees.

Mr Emanuel's solution is called the Chicago Infrastructure Trust (CIT). This will help pair investors with projects that will generate a revenue stream to be hypothecated to cover the cost of the original investment, plus a return. First on its list are some $100m-worth of energy-saving measures in city buildings.

Lightbulb moment

At Newton Bateman Elementary School the principal asks a teacher how she likes the new lighting in her classroom. She seems not to have noticed any difference. That is the idea. Workmen have recently halved the number of lights above her head, installed more efficient bulbs and added automatic switches. Over the next ten months the city wants to overhaul the lighting in another 241 schools. It estimates that these retrofits will cost $14m and yield savings of $3m a year. In January it put out a request for "financial partners" to stump up the cash, to be repaid from the savings in the schools' operating budgets.

From the mayor's point of view this scheme has several advantages. It enables him to raise money from investors such as foreigners, charities and pension funds who are not interested in tax-exempt municipal bonds because they have little tax liability in the first place. It means that projects with clear benefits but low priority can go ahead sooner, helping to stimulate the local economy. All the assets involved remain not just the property of the city but under its management, so political attacks on "privatisation" can easily be rebutted. The mayor's supporters in the unions are enthusiastic because the scheme will create new jobs. And although initially Mr Emanuel expects the CIT to get involved in only around $200m of the $7

billion-worth of infrastructure investments he is looking for, he clearly hopes to expand its role if the early projects prove successful.

Mr Emanuel is not the only local leader coming up with inventive ways to pay for infrastructure improvements despite the fiscal squeeze. The number of "public-private partnership" (PPP) projects under way around the country, although still low by European standards, has jumped in recent years. They include a tunnel under construction in Florida, a commuter rail scheme in Colorado and road improvements in Texas and Virginia. The Centre for American Progress, not normally a cheerleader for red-blooded capitalism, reckons it should be possible to mobilise at least $60 billion a year in private infrastructure investment. That would be a huge step up from the paltry total of $10 billion raised through such schemes between 1990 and 2006.

In Indiana a PPP is being used to boost public investment. In 2006 Mitch Daniels, a former governor, championed a 75-year lease of a busy toll road in the state in order to create an investment fund for future roadbuilding projects. The consortium that now runs the highway paid $3.8 billion for the privilege (just before the recession caused asset prices to plummet), as well as promising to invest $600m in upkeep over the first nine years of the lease. Indiana has used the proceeds to increase its roadbuilding budget by a third, to $1 billion a year.

Bob McDonnell, the governor of Virginia, is confronting the gradual decline in revenue raised by the state's gas tax, which is levied on top of the federal one and suffers from the same problems. He recently persuaded the state legislature to abolish it altogether and instead raise the state's sales tax from 5% to 5.3%. Along with some other increases, this should provide a steadier revenue stream.

Antonio Villaraigosa, the mayor of Los Angeles, helped secure a 30-year increase in the local sales tax in 2008 to fund transport projects. He then used the projected revenue as security for loans that will allow the city to build the original 30-year roster of projects in just ten years. The idea is to stimulate the local economy and take advantage of low construction costs, just as economists have been urging Congress to do.

Congress, however, is being unhelpful as usual, and not just by scrimping on its own capital budget. Last year, for the first time, it gave states free rein to charge tolls on new highways built with federal help, or on new lanes added to existing ones. But it still bars them from levying tolls on the unimproved portions of existing roads. It has also allowed a law to lapse that encouraged private investment in infrastructure by offering a tax break on bonds that finance it.

Meanwhile, the repeated brief extensions of the highway bill make it difficult to plan for the long term or to embark confidently on projects that might take many years to complete. Mr Obama has long called for a federal infrastructure bank which could invest more strategically and attract private capital relatively cheaply by subsidising or guaranteeing commercial loans. But Congress wants nothing to do with it.

There are plenty of ways for Congress to boost investment in infrastructure without massively inflating the public debt, but America's governors and mayors are not holding their breath. As Mr Emanuel, a former congressman and White House chief of staff, says, "We can't allow dysfunction, whether in Washington or Springfield, to delay our economic development."

Does Modern Urbanism Only Help a City's Elites?

Chicagomag.com-March 5, 2013

One of the best posts I've read in a good long while comes from Aaron Renn at The Urbanophile: "Is Urbanism the New Trickle-Down Economics?" It's challenging, interesting, and touches on critical economic development issues of importance to the city. Here's his first shot fired:

> [M]odern day urbanism often resembles nothing so much as trickle-down economics, though this time mostly advocated by those who would self-identify as being from the left. The idea is that through investments catering to the fickle and mobile educated elite and the high end businesses that employ and entertain them, cities can be rejuvenated in a way that somehow magically benefits everybody and is socially fair.

For example:

> The people most aggressively pushing urbanist policies like bike lanes, public art, high end mixed use developments, high tech startups, swank boutiques and restaurants, greening the city policies, etc. are disproportionately those who want to live that lifestyle themselves, or hope to someday. Like me in other words. The fact that you're a Millennial who rides around to microbreweries on your fixie without necessarily having a high paying job yourself (yet) doesn't matter. You are still advocating for your own preferred milieu, and that of others who think like yourself.

I'm guilty of a lot of this myself, save for the fixie, which I'm way too lazy and uncoordinated for. So it's probably with some self-justification that I offer a rationale for why these policies exist, not that Renn is opposed to them necessarily. Cities throughout the country were scarred by central-city flight and the urban blight that followed, especially in the Midwest, and the powerful mayors who ruled Chicago as the Rust Belt collapsed approached the Loop as the city's bulwark. For all his reputation as a Bridgeport ward heeler, Daley the Elder was a master at courting the city's business powers—even the Republican ones—a talent he passed on to his son. As Elizabeth Taylor and Adam Cohen write in *American Pharaoh*:

> Daley's [1958 development plan] was almost single-mindedly focused on the downtown business district. Where Burnham had looked at Chicago as an organic whole, Daley's planners proceeded as if downtown were the only part of the city whose future mattered.... The only improvement it offered to most of the city's residential neighborhoods was a highway that would move cars more rapidly through them on the way to shopping in the Loop.

In that, Daley was quite successful, but the Loop was still far from what it is today, which is how Chicago got its first tax-increment finance district under Harold Washington in 1984:

> Begun by Mayor Harold Washington in 1984, when the Loop did indeed contain areas of blight, Daley extended the life of the Central Loop TIF to seemingly great effect. Before eventually expiring in 2008, the TIF district helped spearhead the Loop's renewal, ushering in an era of huge expansion that increased the tax base and businesses within its borders, and saw a rise in the estimated assessed land value in the district to $2.6 billion from its original $985 million. The renewed strength and vibrancy of Chicago's core allowed the city to comeback from its "buckle-on-the-Rust-Belt" lows, and become a relevant player on the Global City index.

TIFs use leverage to work, driving tax revenues created by a district back into that district. In an area with a strong foundation—lots of transportation, high density, and an existing economic base—they can change the fortunes of an area quickly. And Chicago's downtown economic development has succeeded. In a lengthy, fascinating piece for *Crain's*, Greg Hinz details just how the city's downtown has weathered the recession and come out strong on the other end:

> In fact, the Census Bureau reported in 2012 that Chicago gained more people within two miles of City Hall—48,288, or 36.2 percent—than any other American city, including New York, in the previous decade, in both absolute and percentage terms. An outsize share of these newcomers are young, ages 25 to 34. By the city's estimate, 38,000 full-time college students attend classes in the greater Loop.

Renn argues that urbanists are no less self-interested than other forms of the urban elite: for example, Chicago's friendly spat with Seattle over stealing their tech jobs with sophisticate-friendly transit options. "What's needed," he writes, "is a new orientation of these ideas so that we don't end up with an explicitly elitist policy rationale and policy set that caters to the already privileged at the expense of the poor and middle classes of our cities."

But it's hard to tell where that self-interest ends and begins. Part of the reliance on policy sets that cater to the privileged, or at least areas that house the privileged, is that they've worked—those areas have a lot of economic leverage. One of the reasons that TIFs are so appealing is that they don't cost existing money. They're not free, as Ben Joravsky has documented, but diverting future tax revenues above a certain level is different than shelling out straight from the coffers. That's also why the Infrastructure Trust is also appealing, because it's not an up-front investment.

Compare that to the investment required to lift up a truly troubled neighborhood. My colleague Elly Fishman looked into Land's End founder Gary Comer's massive, long-term investment in his old South Side neighborhood, $86 million over about a decade; it's an honorable project that's done some good, but the gains have been modest. In the context of saving a neighborhood, $86 million just isn't that much. It's improved education and housing in the neighborhood, but Pocket Town has still been a hard sell for employers:

> New homes can improve a neighborhood only so much, Reid points out, when there aren't many economic anchors at hand. Pocket Town contains only four businesses: a gas station, a paper supply company, an auto salvage yard, and Reid's real-estate company. "There's still no new retail, no grocery store, and there isn't even a pharmacy," he says. Without meaningful commercial activity in Pocket Town, building houses there "is no different than building in Englewood."
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> Responds Schleicher: "We tried to identify how to bring in other businesses. . . . The problem is, the neighborhood is very isolated. You can't attract big-box retailers or grocery stores, because they won't reach a big enough market to make money."

Economic development on the level of Pocket Town is extremely expensive, which is why cities are looking towards private capital for development during this age of austerity. Private capital wants to minimize risk... and blighted neighborhoods are a much greater risk. It's harder, and our models for it aren't great. New York took the lead: stabilize your tax base with a wealthy industry, then take it from there. As Alan Mallach puts it, "downtowns are the low-hanging fruit of urban revitalization." It's not just Chicago; the downtown population is up in St. Louis, Baltimore, even Detroit. So it's not just self-interest; cities don't have much reach right now, and downtown is within their grasp.

Food & Water Watch
February 21, 2013
foodandwaterwatch.org/studies/chicago-il/

Former Chicago Mayor Richard Daley privatized many city assets by leasing them to the highest bidder. In 2010, he said that more deals were on his agenda and that nothing was off-limits — not even the water system. Speculation that the water system was next on the chopping block prompted massive public outcry.

When current Mayor Rahm Emanuel took office, he promised he would not sell or lease the water system. This was a victory for community members who supported local public water.

Unfortunately, Emanuel did not mean that he wouldn't pursue other types of water privatization, including public-private partnerships.

In 2012, his administration planned to outsource the water billing call center to Tokyo-headquartered NTT Data. The proposal would fire 34 city workers while expecting to save the city only $100,000 a year, a mere drop in the bucket of the water fund's $600 million budget.

The Chicago Infrastructure Trust: "An Industry-Backed Deal"?

Also in 2012, Emanuel pushed through his "Chicago Infrastructure Trust" that will combine a small amount of city capital with capital from banks and other private investors (including Citibank NA, Citi Infrastructure Investors, Macquarie Infrastructure and Real Assets Inc., J.P. Morgan Asset Management Infrastructure Investment Group and Ullico) to finance more than $1 billion of public works projects. *Infrastructure Investor*, a trade magazine, characterized the plan as "an industry-backed deal to establish PPPs [public-private partnerships] as a politically and financially viable business."

The city's primary motivation appeared to be the desire to take debt off city books to give the illusion of reducing its liabilities. "We have a tool here that takes some of the pressure off taxpayers," Emanuel claimed. "Use somebody else's money for a change, rather than theirs."In the real world, however, banks do not provide free lunches. Chicagoans will have to repay the private capital investment with interest through user fees. The city's chief financial officer admitted that private financing could be more expensive than traditional government borrowing. Nonetheless, the city council signed off on Emanuel's plan in 2012. It remains to be seen if Chicago will tap the new fund for water or sewer projects.

Chicago seeks private money for public projects

Medill Reports: Chicago-February 19, 2013

Last April, Mayor Rahm Emanuel wanted a new process for funding public projects so he created the nonprofit Chicago Infrastructure Trust. Less than a year later, the trust is seeking possible investors to fund improvements in the city's infrastructure.

The trust plans to work with private investors to fund improvements in energy efficiency from Chicago public school buildings to police stations. The trust distributed an initial document to a wide array of banks, financial firms and union pension funds to garner early interest in investing.

The "request for qualifications" document calls on potential financial partners to lay out the terms and conditions they would require to finance public projects. Responses are due March 6.

According to the mayor's office, financial firms such as Citibank, J.P. Morgan, Ullico Investment Co. and Macquarie Infrastructure and Real Assets Inc. have already expressed interest in funding future projects through the trust.

Macquarie is already well known at City Hall as the winner of a 99-year lease on the Chicago Skyway.

“We look forward to working with the city to continue to enhance its infrastructure, its environment and create local jobs,” said James Hooke, CEO of Macquarie during the trust’s formation last year.

The topic of privatization in Chicago is a prickly issue. After the city similarly leased its parking meters in 2008, parking rates have soared. Mayor Emanuel is now battling Chicago Parking Meters LLC over $61 million in lost revenue related to street repairs and disability placards.

Despite lingering frustrations over the parking meter deal, Emanuel is moving forward with privatizing other Chicago public works through the trust, one of the first of its kind in the U.S.

The first project to be tackled by the trust is Retrofit Chicago, a program aimed at increasing energy efficiency.

Investors will pay for initial renovations of city facilities. Cost savings from the upgrades will then be transferred to investors as repayment and interest over a set period of time. No infrastructure will be leased.

However, Chicago’s past contracts have left Chicago residents and civic organizations leery of privatization plans that lack proper oversight and transparency.

“Some of the people running this show are the ones that got us into trouble in the first place,” said Tom Tresser, co-founder of the Civic Lab, a Chicago watchdog non-profit dedicated to civic engagement.

Andy Shaw, president and CEO of the Better Government Association, is another critic. He wrote a letter to aldermen last April asking them to vote no on the ordinance creating the infrastructure trust.

Shaw questioned the transparency of the trust pointing out that it is not within the jurisdiction of the city’s inspector general.

“This is not to denigrate the mayor’s plan but to improve it by adding enough transparency, accountability and oversight measures to avoid another fiasco like the privatization of the parking meters. Let’s go slow and get this one right,” Shaw said.

The Civic Federation has joined the chorus. The nonprofit says the city’s track record of handling of privatization projects such as the $1.16 billion parking meter deal is troubling.

“The process was rushed and did not allow aldermen sufficient time for review and the bulk of the proceeds were used as operating revenues to balance successive budgets,” said Sarah Wetmore, Civic Federation Vice President and Research Director.

Scott Falk, a Kirkland & Ellis attorney working with the city, points out that any deals done by the trust will be reviewed by an independent body and must be approved by the city council, providing a greater level of transparency than in previous deals.

James Bell, chairman of the trust, also is promising a high level of public scrutiny: “Our goal is to help accelerate the improvement of the city’s infrastructure by accessing alternative sources of financing while protecting the interests of Chicago taxpayers,” he said in a press release.

To answer another concern of Shaw’s, the ordinance creating the trust states that meetings, documents and records will be available to the public in accordance with the Illinois Open Meetings Act and the Illinois Freedom of Information Act.

But Tresser and others remain skeptical, pointing out that previous deals also required city council approval. “Frankly, I don’t think the aldermen have the resources to question these deals,” Tresser said in

an interview.

The trust will be one of the first of its kind in the U.S. but it is similar to infrastructure funds that exist globally including Canada's P3C Fund.

Although public-private partnerships are new to the United States, nearly 3,000 projects of this kind were planned globally between 1985 and 2010, according to University of Manitoba economist Professor John Loxley.

Loxley has researched the policy of public-private partnerships in Canada comparing the expectations for the deals with the end result. His conclusion: the outcomes usually fall short of expectations.

“When public infrastructure is directly financed by the private sector, rather than indirectly through financing government debt, the result is still an increase in the amount owed by the government, whether or not this is on the books,” Loxley said in s recent paper.

One of the most crucial items to evaluate is risk, Loxley said.

“Since private borrowing is always more expensive than public, public-private partnerships can only be justified if they come in cheaper in other respects. They only do this if they shift construction and user demand risk off the public sector and on to the private sector. There is no real and convincing evidence that they do this.”

The trust is moving slowly so far-- a few meetings have been held focusing on procedure and a CEO was named this month.

But once it gets rolling with its first round of renovations, Retrofit Chicago aims to decrease energy use by 20 percent annually in participating facilities.

The first stage of the retrofit will cost approximately $100 million and will include improvements to facilities owned by Chicago Public Schools, the Department of Water Management and the Department of Fleet and Facility Management, which includes police, fire, library facilities, cultural centers and City Hall.

Energy efficiency projects include lighting upgrades, building weatherization, sensor technology installation, and heating and cooling improvements.

Improvements to 242 school facilities ranging from elementary to high schools will cost approximately $14 million. The realized savings, which are estimated to be $3 million annually, will be paid to investors over nearly a five-year period.

The Department of Water Management project is expected to produce nearly $4.5 million in savings each year.

Improvement projects for 104 police, fire, library cultural center facilities and City Hall will cost roughly $37.1 million and produce estimated savings of $3.3 million a year. That will be paid out during an 11-year period.

That's all on paper, of course. “The risk is whether or not they accomplish these savings,” said Peter Matuszak, a senior policy analyst with the Civic Federation.Beitler sets big goals for
Chicago Infrastructure Trust

[Chicago Infrastructure's new CEO, Stephen S. Beitler]

Chicago Tribune-February 3, 2013

Stephen S. Beitler was a Green Beret, building roads in Panama, parachuting into harm's way and testifying on Capitol Hill. He took on strategic roles at Helene Curtis and later Sears, Roebuck, then plunged into the complex worlds of private equity and venture capital.

Starting Monday, he becomes chief executive of the Chicago Infrastructure Trust — a position likely to be a lightning rod for controversy as the nascent not-for-profit, formed at Mayor Rahm Emanuel's behest, attempts to guide the city toward private investment in big-ticket public works projects that have the potential to transform the city's economic landscape.

With Chicagoans still stewing over the steep parking rate hikes that followed the privatization of meters during former Mayor Richard Daley's tenure, winning support for future public-private partnerships will be a challenge. But with the city still digging out of its deficit position, officials say it is essential to find alternative ways to fund critical upgrades if the city is to regain some of the economic momentum lost in the past decade.

James Bell, chairman of the five-member trust board appointed by Emanuel in June, thinks Beitler has the mettle for the task. "Quite frankly, his background is diverse and includes areas of experience that are directly applicable — both in the private finance arena and in his start-up experience," Bell said.

Beitler's engaging personality and ability to translate arcane financial information also played into the decision, said Bell, a former Boeing Co. executive.

A retired lieutenant colonel, Beitler, 56, steps into the $170,000-a-year post leaving behind any day-to-day involvement in Dunrath Capital Inc., a venture capital firm he founded in 2002 after five years at a private equity firm. Its latest fund has $100 million invested in security, safety and defense products.

At least at the start, he will be a one-man band at the trust, whose start-up funding comes from the city, which has budgeted $2.3 million for a variety of expenses. His initial goals, he said, are to help craft a strategic approach and to study best practices in regions with greater experience in public-private partnerships, including Canada, western Europe, Australia and India.

After that getting through the start-up phase, he said, the aim is to "do projects that will make a difference." The trust is intended to function as an independent agency that will help the city craft deals, which ultimately will require city council approval.

Beitler, a Highland Park resident, was hired by the trust board after a three-month search by Spencer Stuart, done pro bono. Emanuel did not participate in the hiring process, Bell said, though he was kept informed.

Beitler is no stranger to the political world. He and his wife, Debbie, who died of breast cancer a year and a half ago, contributed tens of thousands of dollars to campaigns of both Democrats and Republicans, at the state and federal levels. He also was a founder of the Illinois Venture Capital Association and its political action committee.

Years ago, through mutual friends, he struck up a friendship with Emanuel, who previously served in the Clinton and Obama administrations. "I've had dinner with the mayor and his wife, and other mutual friends, but like a decade ago," he said.

The Beitlers were early backers of President Barack Obama's political career, joining many prominent Chicagoans on the finance committee for Obama's 2004 run for the U.S. Senate.

He also has contributed to the campaigns of his friend Republican U.S. Sen. Mark Kirk.

Politics never entered into the infrastructure trust's hiring process, said Beitler, who is no relation to well-known Chicago developer J. Paul Beitler.

"I don't think they had any idea what my affiliations were," he said.

Bell concurred: "We weren't even aware of it."

Beitler steps into his new role after a period of self-reflection following the loss of his wife. During the years of her illness and after her death, he had pulled back from much of the day-to-day work at Dunrath Capital to devote time to his family. This fall, their twin daughters, Grace and Elinore, headed off to their freshman year at college.

"I've been trying to figure out what I was going to do when I grow up — that kind of thing," Beitler said during an interview with the Tribune. "And this struck me as being an interesting thing to do."

His moves are likely to draw intense scrutiny, not only because of the residual anger over the city's parking meter deal, but also due to concerns about whether a not-for-profit will keep the public fully informed about potential transactions and their expected financial impact on the city and taxpayers.

The ordinance that created the infrastructure trust requires it to hold open meetings and share documents in accordance with the same laws that apply to government entities, he said.

Infrastructure Trust taps venture capitalist as first CEO

Chicago Tribune-February 1, 2013

The Chicago Infrastructure Trust, formed to attract private investment in public projects, has selected a venture capitalist as its first chief executive officer -- one whose resume is deeply varied, including a stint building roads, schools and clinics in Panama during his military service.

Retired Lt. Col. Stephen S. Beitler, a Green Beret who later worked at the Pentagon, started his corporate career in Chicago at Helene Curtis Inc. He moved on to Sears, Roebuck and Co., then joined a private equity firm in 1998. Three years later, founded Dunrath Capital Inc., a venture capital firm. Its latest fund has $100 million invested in security, safety and defense products.

"His background is diverse and includes areas of experience that are directly applicable -- both in the private finance arena and in his start-up experience," said James Bell, chairman of the five-member trust board appointed by Chicago Mayor Rahm Emanuel last June. "A lot of people don't know this, but this is really a start-up."

His engaging personality and ability to translate arcane financial information also played into the decision, said Bell, a former Boeing Co. executive.

A Highland Park resident, Beitler, 56, steps into the $170,000-a-year post Monday. His first goals, he said, are to help craft a strategic approach and to study best practices in regions with greater experience in public-private partnerships, including Canada, western Europe, Australia and India.

After that getting through the start-up phase, he said, the aim to "do projects that will make a difference."

He was hired by the trust board after a three-month search by Spencer Stuart, done on a pro bono basis. The brainchild of Emanuel, the trust is intended to be an independent not-for-profit that will guide the city's entry into the realm of private financing for public works projects. Emanuel did not participate in the hiring process, Bell said, though he was kept informed.

Beitler is no stranger to the political world. He and his wife, Debbie, who died of breast cancer a year and a half ago, have contributed tens of thousands of dollars to campaigns of both Democrats and Republicans, at the state and federal level. He also was a founder of the Illinois Venture Capital Association and its political action committee.

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Beitler steps into his new role after a period of self-reflection following the loss of his wife. Their twin daughters, Grace and Elinore, headed off to their freshman year in college in the fall.

"I've been trying to figure out what I was going to do when I grow up, that kind of thing," Beitler said during an interview with the Tribune. "And this struck me as being an interesting thing to do."

Interesting is one way to put it. His moves are likely to draw intense scrutiny, not only because of the residual anger over the city's earlier privatization of parking meter operations but also due to concerns about whether a not-for-profit will keep the public fully informed about potential transactions and their expected financial impact on the city and taxpayers.

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While fully aware of the resentment surrounding the parking meter deal, pushed through swiftly during the tenure of former Mayor Richard Daley, Beitler said this is no reason to shut out consideration of future deals that could be structured more beneficially to the city and its taxpayers.

"I suspect there are ways to reduce the city's operating costs through public-private partnerships ... in manners that are consistent with what the people of the city of Chicago would want," he said.

Friends say he functions well in the hot seat, having honed that ability both in government, where he was part of a team overhauling military procurement processes, and in the corporate world, where he answered to multiple demanding bosses while working on merger activity, budgets, cost-cutting and the introduction of advanced technologies.

"When he worked for the military, he testified before Congress, he worked on preparing budgets and things for his superiors.So he understands the political process," said Ellen Rudnick, executive director of the Michael P. Polsky Center for Entrepreneurship at the University of Chicago. Beitler serves on the center's advisory board.

"He has been in situations where people are saying negative things about you all the time," she said. "He has faced that."

Long-time friend and former colleague Maura O'Hara, executive director of the Illinois Venture Capital Association, said, "nothing can rattle him at all."

"I remember one time at Helene Curtis when there was a big project we were working on that wasn't going the way I wished it would," she said. "I was getting all agitated, all emotional, and he just said, 'Nobody's going to die here.' That was his perspective coming from the military."

Mayor's Infrastructure Trust chooses first chief

Crain's Chicago Business (blog) - February 1, 2013

The Emanuel administration has selected a Green Beret-turned-venture-capitalist to head the mayor's prized new Infrastructure Trust.

The Emanuel administration has selected a Green Beret-turned-venture-capitalist to head the mayor's prized new Infrastructure Trust.

Stephen Beitler, a founder and managing director of Dunrath Capital Inc., which specializes in security infrastructure, will take over as executive director and chief executive officer of the trust, which Mayor Rahm Emanuel hopes will attract hundreds of millions of dollars in private funding for needed city infrastructure projects.

The mayor's office declined to comment on the appointment. But a draft copy of a statement made available to Crain's quotes trust Chairman James Bell as saying that Mr. Beitler's "experience, financial savvy and deep understanding of the startup and private funding world make him the ideal leader for the Chicago Investment Trust at this exciting time."

The trust, announced with a flourish a year ago by Mr. Emanuel and former President Bill Clinton, has been hobbled by concerns that it might make the kind of mistakes that former Mayor Richard M. Daley made when he quickly privatized the city's parking-meter operation.

But the trust finally moved this week to seek bidders for its first project — retrofitting buildings owned by the city and city agencies to make them more energy-efficient — and insiders still believe the unit has the potential to attract private capital and spread the risk on city, transportation, school and other projects without either leasing city assets or further burdening the city's already-stretched balance sheet.

Though Mr. Beitler, 56, is being selected after a national search, his military background as a former U.S. Army Special Services officer and chief of staff to the undersecretary of defense likely was a good fit with trust chair Mr. Bell, a former Boeing Co. executive.

Mr. Beitler also has worked at Sears Roebuck & Co. and the former Helene Curtis Industries Inc., and was a managing partner at Trident Capital.

Dunrath describes itself as "a research-based, private-equity and strategic advisory firm" that invests in early-stage "infrastructure surety products."

Mr. Beitler is the former chairman of the Illinois Venture Capital Association, serves on an advisory board of the University of Chicago's Booth School of Business and is active in a charity that helps the families of Special Operations personnel who are killed in action.

I've not yet spoken with him, but in the statement he describes the trust as "the perfect opportunity to meld human and physical infrastructure to achieve Mayor Emanuel's goal of making Chicago a truly global city." He'll earn a salary of $170,000 a year.

Former Green Beret to lead the charge on Mayor Emanuel's

Chicago Sun-Times-Feb 1, 2013

While aware of the resentment surrounding the parking meter deal, Beitler said this is no reason to shut out consideration of future deals that could be structured more beneficially to the city and its taxpayers.

"I suspect there are ways to reduce the city's operating costs through public-private partnerships ... in manners that are consistent with what the people of the city of Chicago would want," he said.

The Infrastructure Trust began testing the waters on its first project, Retrofit Chicago, aimed at making city facilities more energy efficient, when it issued a request for qualifications from potential bidders last week. The city would use cost savings to pay back investors.

"What we really need to get back is a sense of the market ... what investors are really interested in," Bell said.

Future projects, as yet unidentified, could be much more ambitious, more along the lines of high-speed transit, with fare revenues used to pay back investors.

Separately, the city is weighing whether to privatize Midway Airport to extract revenue from the Southwest Side airport to pay down the airport's construction debt and to fund infrastructure projects elsewhere in the city. This project is not under the purview of the Infrastructure Trust.

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Or, as he put it himself, "I wouldn't have taken this job if I didn't want to be scrutinized."

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Beitler left the service as a disabled veteran. During a parachute infiltration, his chute collapsed and he fell more than 100 feet, injuring his back and legs. He now lives with pain, numbness and a slight limp. His career in the Army, on active duty from 1977 to 1989 and in the reserves until 1998, was varied, involving intelligence activities and psychological operations but also overseeing construction of roads, schools and clinics in Panama.

"I spent a lot of time checking stuff, like, does the toilet work? Somebody has to get back there and fix it," he said.

O'Hara believes his military experiences enabled him to work well with people from all walks of life.

"One of the things I learned from Steve is that when you're in the military, you don't get to pick your team. You get who you get, and you have to figure out how to get the best out of each individual and out of the team," she said. "I never heard him say an unkind word about anyone on his team. He sees strength in each of us."

[Infrastructure Trust taps venture capitalist as first CEO]
[Equities.com]-Feb 1, 2013

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Emanuel's infrastructure trust finally makes a move

Crain's Chicago Business (blog)-January 31, 2013

Nearly a year after it was established, Mayor Rahm Emanuel's prized Chicago Infrastructure Trust finally is inviting potential investors to bid on a project, its first.

The trust on Wednesday quietly issued what's known as a request for qualifications — you can read it below — to union pension funds, banks, financial firms and others that might be interested in financing $100 million in work now and another $100 million later to retrofit city buildings for energy efficiency.

Investors in the project would not lease or own property including city equipment garages, a pumping station and public schools, but would be what amounts to equity partners, getting a cut of the gains from what the city estimates will be a 20 percent reduction in energy costs.

“The city and/or its sister agencies, on behalf of the taxpayers, may wish to 'share' the resulting savings with the financial partners,” the RFQ states. “The city and/or its sister agencies will also consider transactions in which a portion of the savings is used to provide additional debt coverage for the financial protection of the financial partners.”

Responses are due by March 6, with the trust hoping to seek bids shortly thereafter from a select group of investors and complete the process sometime this year.

The energy retrofit project was suggested by Mr. Emanuel when he first proposed creating the trust, and little known progress has been made in identifying other potential projects. The trust has not selected staff, although it is searching for an executive director.

Nonetheless, former President Bill Clinton and others have pointed to the trust as an innovative idea to attract new capital to needed urban infrastructure projects without further burdening often already overloaded municipal balance sheets.

The final project will need City Council approval.

States, metro areas outdo Washington

CNN-Jan 22, 2013

(CNN) -- With its past-midnight resolution (at least temporarily) of the fiscal cliff, Washington gave us a clearer picture of what the next two to four years of federal action might look like: Lengthy periods of legislative gridlock, persistent partisan finger-pointing and short bursts of incremental activity that ultimately fail to resolve the major national challenges at hand.

And those challenges are substantial. Our country is still struggling to fully recover from the Great Recession. More than 12 million Americans are still out of work, and 107 million Americans are considered poor or near poor (up from 81 million a decade ago). The United States ranks 16th in the world in infrastructure quality, with one in four bridges in America considered structurally deficient. And our education system is no longer keeping our kids competitive, leaving 15-year-old American students ranked 31st in math and 23rd in science.

But as has happened time and again throughout American history, our greatest innovations come at times of greatest challenge. True to form, inaction from the federal government has sparked the innovation of states, cities and metropolitan areas that are teeming with smart, pragmatic and bipartisan solutions to national economic challenges.

For the second year in a row, we have identified our Top 10 State and Metropolitan Innovations to Watch -- actions undertaken by states and metropolitan areas in 2012 that seem ripe for meaningful impact in 2013 and beyond, as well as for replication by other communities.

Many of these innovations represent grand economy and talent-shaping gestures.

In San Antonio, for example, a ballot initiative to support pre-kindergarten education was passed in November, championed by Mayor Julian Castro and the local business and civic leadership. The referendum provides $31 million a year in new sales tax revenue to expand pre-k programs, with the goal of providing every eligible student in the city a strong start on the path to secondary and post-secondary success.

Other large-scale initiatives include an Infrastructure Trust in Chicago to leverage private investment for the energy retrofit of public buildings, and the accelerated build-out of a state of the art transit system in Los Angeles -- a metropolis long known for its traffic congestion rather than transport alternatives.

Some innovations embody smaller, structural interventions.

Florida Gov. Rick Scott's new Office of Freight Logistics and Passenger Operations will bring a multimodal approach to solving transportation and logistics challenges that have traditionally been addressed separately and inefficiently. Building on the state's decision to prioritize investments in the Port of Miami -- which alone carries 5% of U.S. trade with Latin America by value -- the office will be instrumental in ensuring the competitiveness of the state's large logistics sector by preparing for changing dynamics in global trade, such as the expansion of the Panama Canal.

Other structural initiatives include an ambitious strategy in Portland, Oregon, to help small business and distinctive clusters of firms access global markets, and a new National Additive Manufacturing Innovation Institute in Youngstown, Ohio, to capitalize on opportunities brought by 3D printing.
All of these innovations share common themes.

They embrace a vision of economic growth that is productive, sustainable, inclusive and globally oriented. They are affirmative in spirit, forward-leaning in action and imaginative in design, reflecting the quintessential optimism that characterizes America. And, perhaps most importantly, they are shaped and advanced by networks of leaders who work across jurisdictional, ideological and, yes, political lines to get stuff done.

But most of all, these innovations in policy and practices show that American-problem solving does not rely exclusively on the work of the federal government.

If we can accomplish such extraordinary things at the state and local level, just imagine what we can accomplish as a nation if Washington gets it act together and even partially embodies this same innovative spirit. Hopefully, it won't take four years.

* * *

Top 10 state and metro innovations to watch

Exports

Metro -- Portland, Oregon: Metropolitan Export Plan. An ambitious strategy to help business and distinctive clusters of firms access global markets.
State -- Florida: Office of Freight Logistics and Passenger Operations. A new department to coordinate and prioritize freight and port strategies and investments.

Low Carbon

Metro -- Chicago: "Retrofit Chicago." Leveraging private investment in a new Infrastructure Trust for the energy retrofit of public buildings.
State -- California: Cap-and-Trade. The launch of a carbon trading system to lower carbon emissions and further demarcate the state as the center of the American clean economy.

Innovation

Metro -- Youngstown, Ohio: National Additive Manufacturing Innovation Institute. A new regional manufacturing initiative to exploit the full opportunities brought by 3D printing.
State -- Massachusetts: Top-USA Massachusetts. A research exchange between Boston-area and Brazilian research institutions.

Opportunity

Metro -- San Antonio: Pre-k Expansion. A commitment to expand pre-k education, to give every student a strong start on the path to secondary and post-secondary success.
State -- Kansas: Career and Technical Education Initiative. State incentives for enrollment in and completion of local technical education and community college classes.

Governance

Metro -- Los Angeles: America Fast Forward. Metro-federal partnership in accelerated build-out of transit expansion.

State -- California, Washington, Oregon: West Coast Infrastructure Exchange. Three-state initiative to coordinate cross-state infrastructure investments.

Aldermen Hit Red Carpet for IVI-IPO Voting Awards in Greektown

DNAinfo-January 29, 2013

CHICAGO — For those who thought the self-congratulatory New Year's spree commonly known as award season could never go too far: Now presenting the IVI-IPO Best Aldermanic Voting Record Awards!

The Independent Voters of Illinois-Independent Precinct Organization presented awards for best voting records in the Chicago City Council Monday in a self-deprecating ceremony at Pegasus Restaurant in Greektown.

"Opaa!" punctuated some of the presentations.

Yet there was some substance behind the pagaentry. The avowedly progressive IVI-IPO identified 11 key votes in the City Council over 2012. They ranged from the decriminalization of marijuana to the 2013 budget. No alderman voted entirely along the IVI-IPO's self-declared party line. Yet Ald. Bob Fioretti (2nd) and Ald. Scott Waguespack (32nd) both sided with the IVI-IPO 10 times of the 11 to claim top honors.

"What other organization in town tries to develop objective criteria and then evaluate the aldermen on that basis?" said Cook County Board President Toni Preckwinkle, a former alderman, who acted as master of ceremonies. "Nobody."

Preckwinkle said the awards operate as both carrot and stick, lauding those who vote as progressives, but offering an "inducement" for others to join them.

"For me, speaking in an independent voice is getting up in the morning," said Ald. John Arena (45th), who finished third, with nine votes meeting IVI-IPO guidelines. "This is our job to do in the City Council."

In part, the process was self-fulfilling. Three of the targeted votes concerned Mayor Rahm Emanuel's so-called Infrastructure Trust, and two of those concerned tabling oversight amendments offered by Fioretti and Waguespack, respectively.

Fioretti also used the awards as a bully pulpit, saying, "We lack two things — safety in our streets and an educational system that keeps our kids educated and brings them forward." He vowed to continue to work on those issues.

Yet the threshhold was also fairly low. Ald. Leslie Hairston was fourth, with seven IVI-IPO-affirmative votes out of 11. Among honorable mentions, Ald. Ricardo Munoz (22nd), Ald. Brendan Reilly (42nd) and Ald. Nicholas Sposato (36th) had six, and Ald. Toni Foulkes had five, less than half.

University of Illinois at Chicago Professor Dick Simpson handed out awards for community budgeting, led by Ald. Joe Moore (49th), who popularized the program letting ward residents determine how the alderman's $1.3 million discretionary fund should be spent. He was joined by Arena, Hairston and Ald. James Cappleman (46th).

Several alderman were recognized for their "Support for Our Teachers," but especially for backing both the Chicago Teachers Union and Chicago Public Schools in a spirit of compromise during September's strike. They were Fioretti, Waguespack, Arena, Foulkes, Munoz, Sposato and Ald. Roderick Sawyer (6th).

Waguespack did not make it to the actual presentation ceremony, due to a sick child at home. He did not send Sacheen Littlefeather to accept the award for him.

Long Reads on Chicago's Transition From a 'Managerial State' to an ...

Chicagomag.com-Jan 11, 2013

This week the Emanuel administration added six members to its infrastructure trust board, and announced the members of its Midway-privatization advisory board. Conveniently, a couple writers I like have long, interesting reads on the direction of Chicago politics.

Ramsin Canon:

> What we're feeling viscerally, but seeing from too close to appreciate, is the logical end of decades of neoliberalization of government, which has transformed a managerial state into an entrepreneurial one. Our Mayors are now "entrepreneurs-in-chief," and the result is that governance has been transformed from a participatory process of pooling resources and regulating behavior for the public good into one of government by private negotiation and enticement of capital through competition between states, cities, and even neighborhoods.
>
> [snip]
>
> The federal government and the state are not going giving the city any real money; they are not investing in infrastructure, or education, or social welfare in any real way, the way they did up through the late 1970s and 1980s. The name of the game is "growth" through enticement of capital.

This is important, I think: the idea that the entrepreneurial city is has not developed in isolation, but is in part a response to changes at the federal level, which have seen less money diverted to civic-level infrastructure (and infrastructure generally, for that matter). The infrastructure trust is a great example; rather than using (non-existent) tax dollars and having the city retrofit its own buildings, or using tax dollars to hire private firms to do so, the city uses private money up front and uses some of the savings to pay it back over time, because there's just not enough up-front money otherwise. (Of course, it's likely that much the money will be public money that's privately managed—many of the big pools of money sitting around waiting to be invested in such trusts are public pensions.)

Looking more specifically at one function of government, Micah Uetricht writes in *Jacobin* on the CTU and the Emanuel Administration, and explores an interesting potential dynamic: the possibility of a rift between teachers' unions and the Democratic Party.

> There have been rumblings of a potential rupture in the teachers union-Democratic coalition for years, as teachers have grown increasingly agitated at the attacks on their profession by Democrats. Numerous such stories cropped up most recently after "Won't Back Down," a Hollywood feature film starring Maggie Gyllenhaal widely panned as little more than a teacher-slandering propaganda piece (and a god-awful one, at that), was screened at the Democratic National Convention last year–technically an unofficial event, but one that required approval by the

> Obama White House. A particularly noxious piece of anti-union and anti-educator agitprop, given the green light to be screened at the party's grand quadrennial event straight from the top.

In Next American City, Tanveer Ali on how Chicago is on the vanguard of the entrepreneurial city with its infrastructure trust (the American vanguard, at least; it's old news in Europe):

> But in the U.S., the concept is still in its infancy stage. Why the idea has yet to gain traction here has much to do with the reliance of local governments on direct assistance from Washington and tax-free public bonds.
>
> "The United States is way behind," said Peter Swiecicki, a Poland-based attorney who has played a central role in arranging PPPs such as those associated with the tollway in his country. "By embracing these structures further, the funding structure not only changes, but building, designing and operation are more efficient because the private side is taking a risk."

Those tax-free muni bonds? They're being second-guessed right now. If they disappear, it'll push more cities towards the model that Emanuel is developing.

No Movement On Chicago Infrastructure Trust, Yet

Progress Illinois-Jan 18, 2013

Proposed by Mayor Rahm Emanuel last March and approved by the Chicago City Council in a 41-7 vote in April, the Infrastructure Trust outlined a way to finance infrastructure projects in the city during a time of prolonged federal and state budget crises and near absolute political aversion to tax increases.

Its polarizing central concept of private companies investing in public infrastructure and then receiving some undefined return on their investment was alternately seen as a revolutionary way to improve Chicago and a nefarious step towards private investors opaquely dictating public policy.

Emanuel's proposal included no specific infrastructure projects save a plan to make city buildings more energy efficient. The mayor did, however, attract five finance titans willing to put an initial $1.7 billion into the Trust.

But despite its perceived importance by both supporters and foes, the Trust has thus far done basically nothing.

"I'm a little surprised they haven't rushed through anything," says Ald. Scott Waguespack (32nd), who voted against the Trust citing transparency issues. "The board is unsure of their own status and their own capabilities."

"There doesn't seem to be a whole lot of public notice of movement around the Trust, which is actually a little disconcerting, considering that there was $1.7 billion in private capital lined up to back these deals," says Hailey Witt, field director of Illinois PIRG.

The main transparency question is still the Trust's pending federal application for non-profit tax status.

As a non-profit, the Trust would not have to follow the open meetings and public records laws required of city and state government agencies. The five-member board has written its own bylaws stating that the organization will act “in accordance” with Illinois open meetings laws.

But city Inspector General Joseph Ferguson’s office has highlighted the fact that federal laws governing non-profits trump any bylaws. If their non-profit status is granted, the Trust is free to, for example, stop holding public meetings or cooperate with certain Freedom of Information Act requests.

Waguespack attempted to head off this issue last April when he proposed to make the body a subsidiary of the city of Chicago. But the city council tabled Waguespack’s amendment by a vote of 39-9.

The majority of aldermen decided transparency concerns had been adequately addressed because council members would approve some, though not all, of the Trust's projects and a council member would sit on the Trust board. Emanuel subsequently appointed Ald. John Pope (10th), an unabashed Trust supporter, to the board. Earlier this month, Emanuel named Ald. Latasha Thomas (17th) as one of six advisory members to the board.

During the floor debate last April, aldermen echoed Emanuel’s vision of the Trust as not just improving the daily lives of Chicagoans but making the Windy City a leader in forward-looking public policy. The Trust would finance “the kind of projects that make Chicago important and relevant,” Ald. Will Burns (4th) said at the time.

But no one will say what are these projects, exactly, besides the energy retrofit. “The city has flat out denied that there are any other projects on the table,” Waguespack says.

Messages to Emanuel’s office for this article were referred to the Infrastructure Trust board Web site, and a message with the board and messages to individual board members, were not returned. Emanuel, city officials, and board members have not even provided hypothetical examples of Trust projects. Aldermen and agencies independent of the city budget, such as the Chicago Public Schools, have also not stepped forward with project proposals.

One tangible proposal was unveiled in June by the community organization Action Now. Their proposal called on private developers to work with the city in turning vacant properties into affordable rental homes.

Dan Kleinman, policy director of Action Now met with Emanuel’s office this summer, but Kleinman says his organization has “successfully shifted gears.” Action Now has instead cast its lot with the Cook County land bank, which was approved by the Cook County Board this week.

Asked why he moved away from the Trust, Kleinman declined to criticize the entity, citing instead the greater number of vacant properties on the county level.

Even the energy retrofit plan, which has precedents in other cities and is generally seen as a feasible initiative, has barely gotten off the ground. Board members announced at a December 6 meeting that they would start soliciting bids in 2013 for companies that would put up money to make city and Board of Education buildings more energy efficient. The savings from lower utility costs would then be passed on to these companies.

Left unanswered, though, is when a winning bid would be announced, what the split in cost savings would be between the private investors and the public, and even the most basic question of what buildings the city wants to retrofit. Moreover, the city quietly scaled back the retrofit from an initial plan to seek $225 million in private investments to $50 million.

Perhaps the energy retrofit and the overall Trust will get off the ground later this year when the body's tax status is confirmed and a process for soliciting private investors is developed.

Moreover, many Trust skeptics wonder if major deals are already being hatched behind closed doors. "It is clear that the real substantial conversations are not happening in public," says Amisha Patel, executive director for the Grassroots Collaborative.

That may be the case. Another possible theory is that the Trust is turning out to be a cumbersome mechanism for city projects.

"I think that the city can develop infrastructure without this vehicle," says Woods Bowman, a professor of public service at DePaul University. "General obligation bonds are usually the least costly methods of long-term financing and Chicago has a very good bond rating."

Bowman is skeptical of the Trust not so much because of transparency concerns, but what it can do that existing mechanisms and city agencies, such as the Public Building Commission, cannot accomplish.

Witt of Illinois PIRG also wonders if "private investment will get taxpayers a better deal than traditional bond measures would have."

The Trust was arguably the most talked about Emanuel proposal of 2012. But its relevancy in future years is uncertain.

Mayor Rahm's new advisory board: Advise and consent but no dissent

Chicago Reader (blog)-Jan 11, 2013

Big news from City Hall: Mayor Rahm's appointed another advisory board.

I knew you'd be excited.

It's called the Advisory Members of the Chicago Infrastructure Trust Board of Directors. A name that just rolls off the tongue. Here's the press release.

Their role—as the title suggests—is to advise the members of the Infrastructure Trust, which is itself essentially an advisory board to the City Council.

The Trust's advice to the council—when they get around to giving it—will generally go like this: Do what the mayor says or else!

As if the council needs advice to do that.

As you recall, the Infrastructure Trust is Mayor Emanuel's scheme to get you—the clueless taxpayer—to pay more than it would ordinarily cost to borrow money to fund public works projects.

The mayor can shower that extra money on his cronies—unions included—who will reward him with contributions and endorsements.

As I may have written a few times.

As you also know, the mayor carefully scrutinizes each appointee to every board to guarantee that he never, ever gets a no vote on anything he proposes.

This is called—democracy in Chicago!

The Infrastructure Trust advisory board consists of MarySue Barrett, a former aide to Mayor Daley; Alderman Latasha Thomas, who's loyal to the mayor even by City Council standards; and two union guys—Damon Silvers, of the AFL-CIO, and Tom Villanova, president of the Chicago Construction Trade Council.

In City Hall, they're known as obedient union leaders. Unlike the disobedient ones—i.e., Karen Lewis, president of the Chicago Teachers Union, which has been blasting city tax breaks and handouts to "fat cats."

The mayor hasn't talked to Lewis since August of 2011. It doesn't look like he'll be seeking her advice on anything anytime soon.

The advisory board also includes David Dohnalek, vice president of finance for Boeing. One of the world's wealthiest producers of airplanes, Boeing still received about $24 million in public dollars when it moved its headquarter to Chicago.

The trust's chairman, James Bell, is a former Boeing executive.

Finally, the advisory board includes city treasurer Stefanie Neely.

Confession time!

I've had a soft spot in my heart for Neely since her 2006 City Council confirmation hearing, where she had the following exchange with former alderman Ed Smith.

Smith: "You talk about your relationship with elected officials. You should grab them and kiss them because you are going to need them."

Neely: "Is that an invitation, sir?"

Well, you've got to admit, she's quick on her feet.

I'm not sure why the trust needs an advisory council since they're only going to do what the mayor tells them. Unless it's to continue spinning the fantasy of a benevolent mayor bringing great minds together to find solutions to vexing problems.

Well, as long as everyone's having fun, who am I to complain?

Six advisory members named to infrastructure trust board

Crain's Chicago Business (blog)-Jan 10, 2013

The city today named six advisory members — including the treasurer of Boeing Co. and two union leaders — to the board of Mayor Rahm Emanuel's new infrastructure trust.

In appointments immediately approved by the board at its meeting, added were Metropolitan Planning Council President MarySue Barrett, Chicago Treasurer Stephanie Neely and Boeing Vice President and Treasurer David Dohnalek as advisory members. Also named were Ald. Latasha Thomas, 17th, and two union execs: Tom Villanova, president of the Chicago and Cook County Building and Construction Trades Council, and Damon Silvers, director of policy and special counsel for the AFL-CIO.

Three of the choices came from Mr. Emanuel and three from Trust Chairman James Bell, himself a former Boeing official.

Though the members will serve *ex officio* and cannot vote, they will have significant influence. The city says they will assist on matters including "selection and oversight of projects."

The board already includes one alderman, John Pope, 10th, and Chicago Federation of Labor President Jorge Ramirez. But Mr. Emanuel needs City Council approval for trust operations and hopes to lure funding from labor-controlled pension systems and banks.

Mr. Emanuel hopes for great things from the trust, which was proposed nearly a year ago and formally approved by the City Council last April. But only now is it moving toward its first project, one that had been identified long ago: retrofitting of municipal buildings to make them more energy-efficient.

The infrastructure trust, or bank, is designed to bring additional sources of capital to city projects and to spread some repayment risk to private investors. If it works as the mayor hopes, it could allow more school, transit and other work without putting more debt on the city's balance sheet.

Mayor Emanuel announces nominees to the Chicago Infrastructure

Examiner – June 11, 2012

www.examiner.com/.../mayor-emanuel-announces-nominees-to-the-c...

Mayor Rahm Emanuel announced the inaugural board of the Chicago Infrastructure Trust, a first-of-its-kind infrastructure financing mechanism which was created earlier this year. The board, which includes five members, will be introduced to City Council later this month for approval.

The five nominees represent an array of experience in infrastructure finance and economic development in the public and private sectors.

“It is imperative that we have a board for the Chicago Infrastructure Trust that has the highest level of infrastructure and finance experience in the public and private sector,” said Mayor Emanuel. “Our nominees are professionals of the highest magnitude who will operate in a transparent fashion, and will bring to the board the strictest fiduciary and ethical standards. Their diverse experience will help ensure the Trust creates and undertakes projects that will be beneficial for taxpayers, while creating jobs and economic opportunity throughout the city.”

The members of the board are:
• James Bell (Chair), Executive Vice President, Boeing Corporation (Retired)
• Diana Ferguson, Former Chief Financial Officer, Sara Lee Foodservice; Former CFO, Chicago Public Schools
• David Hoffman, Partner, Sidley Austin LLP
• Alderman John Pope, 10th Ward
• Jorge Ramirez, President, Chicago Federation of Labor

The members of the Trust's board will be responsible for oversight of the Trust, working directly with the appropriate governing bodies of the City and its sister agencies to determine the best projects for the Trust to undertake, and to structure deals for consideration. The board of the Trust will additionally be responsible for overseeing the professional staffing of Trust and ensuring that the Trust is completely compliant with the Open Meetings Act and Freedom of Information Act, as is mandated in the ordinance which created it.

"The Trust presents an outstanding opportunity to undertake transformative infrastructure projects for the City of Chicago," said James Bell. "I am honored to be a part of the group that will ensure the Trust will operate in an open, transparent and forthright manner as Chicago builds a 21st Century infrastructure network."

"This idea has great potential but only if it is done the right way," said David Hoffman. "Success will require at least four things: very strong transparency, oversight including from the Inspector General, full public deliberation, and decisions based on the merits, not connections or loyalties. As a member of the board, I will always exercise my independent judgment and call things as I see them to try to ensure that the trust operates in an ethical, transparent, inclusive, and deliberate way. I look forward to working with the other board members on behalf of the citizens of Chicago."

"The Trust is going to create thousands of much needed jobs while fostering opportunity in our neighborhoods and our communities," said Jorge Ramirez. "The Trust will put our residents back to work while building the infrastructure that will carry the city forward. This is a great situation for all involved."

"I am confident that the Trust will be a valuable mechanism for all of the governing bodies in the City, including City Council," said Alderman John Pope. "I look forward to working with my colleagues and the other governing boards to find crucial, innovative and transformative projects, and bring them to reality."

"The Trust offers us a unique opportunity to combine the best of the public and private sector," said Diana Ferguson. "These projects will give the city a chance to be at the leading edge of national infrastructure and prepare us to compete on a global stage through the 21st century."

The first project that will be considered by the Trust will be Retrofit Chicago, a $225 million retrofitting of all buildings owned by the City. That project will be paid for by the savings realized form the retrofittings, which are expected to top $25 million a year.

The Chicago Infrastructure Trust passed the City Council in April by a vote of 41-7, after being introduced to Chicagoans on March 1 in a joint event between Mayor Emanuel and President Clinton.

Mayors Endorse Emanuel's Novel, Still Scant Infrastructure Trust ...

Forbes - July 24, 2013
www.forbes.com/.../mayors-endorse-emanuels-novel-still-scant-infras...

Asked point blank, last month at the Clinton Global Initiative, if he would open an infrastructure bank in Philadelphia, Mayor Michael Nutter tiptoed around it. Now, as head of the U.S. Conference of Mayors, he's firmed up his response. On Friday, the city coalition announced its support (via Huffington Poster Patrick Svitek) of Rahm Emanuel's inaugural financing scheme:

Earlier today, Chicago Mayor and The U.S. Conference of Mayors (USCM) member Rahm Emanuel traveled to our nation's capital to discuss both the connection between job-creation and critical

infrastructure investment, and innovative ways urban centers across the country can support this infrastructure investment in times of decreasing public spending and economic hardship. The Mayor specifically highlighted the Chicago Infrastructure Trust, the first public-private financing model for infrastructure investments in the country.

“We support the Emanuel Administration’s emphasis on investing in Chicago’s urban infrastructure as well as looking outside the box to leverage private financing for these critical projects,” said USCM President Philadelphia Mayor Michael Nutter. “In this era of tight budgets, mayors across the country are looking for new ways to keep their urban infrastructure from crumbling through smart and strategic investments that increase economic growth and job creation as well as keep cities modern.”

When I first reported on the Trust, after the Chicago council vote, other cities seemed reluctant to latch on, admitting that they were following its developments but doing little else. A few more city leaders are now eying public-private partnerships, though it does not look like a mad rush.

There’s no mention in the USCM statement of any developments in the Chicago plan since April. I suspect because there are none. The only project lined up for the Trust is still a $225 million retrofitting of city roofs—small potatoes for this type of investor cash being floated. I’ve heard mention of the city pooling together individual projects, but have yet to see the mechanics for that.

Such nuts-and-bolts and the repercussions of the Trust don’t seem to be at the center of the mayors’ endorsement. Instead, they’re backing the bravado of Emanuel’s plan to sidestep Congress. Svitek ends his report this way:

For some mayors, Chicago’s initiative raises another question: Why not cut Washington out of the infrastructure investment conversation altogether?

In a couple weeks, I’ll have a long reported piece out on schemes to fund city infrastructure that pull in private cash, cut Washington out, and put this Trust in perspective.

Emanuel Announces $7 Billion Infrastructure Program

CBS Chicago - March 29, 2012
chicago.cbslocal.com/.../emanuel-planning-for-7-billion-infrastructur...

Mayor Rahm Emanuel says he wants to “build a new Chicago,” with a $7.2 billion infrastructure upgrade program that would bring 30,000 jobs over the next three years.

As CBS 2’ws Susanna Song reports, the mayor announced plans for the “Building a New Chicago” program at the Chicagoland Laborers’ Training and Apprentice Center, 1900 N. Central Ave.

The plan would invest billions to fix up everything from CTA stations to O’Hare International Airport to the city’s parks and put an estimated 30,000 people to work.

“By neglecting to invest in our infrastructure for nearly four decades, we have allowed Chicago’s foundations to decay and our strengths to decline,” Mayor Emanuel said. “We know that as long as our city rests on a 20th century foundation, we won’t be able to compete in a 21st century economy.”

CBS 2 Chief Correspondent Jay Levine sat down with the Mayor to talk about the plan and how we can afford it. Emanuel said the city has no choice, because its infrastructure is crumbling after decades of neglect, and he insisted financing has been lined up for the ambitious project.

“Everything we talked about – except for the fourth runway – is fully paid for, and we have the funds. We’ve identified them, secured them, locked them down, have letters of agreement on them; so we can put 30,000 people to work creating and building a new Chicago,” Emanuel said.

The need for the new jobs was illustrated at the Laborers Union training center, where city officials, labor leaders, and members of the administration far outnumbered a current class of barely 100 apprentices, limited by the lack of jobs.

While many in organized labor had been skeptical about the new mayor, both before and after his election, their leaders applauded him on Thursday.

“There are issues out there, and the issues range the entire spectrum; and what he’s done here today is handle an issue that we think has been long overdue – and that’s Chicago’s aching infrastructure,” Chicago Federation of Labor president Jorge Ramirez said. “Some of the natural disagreements that he’s got with some of the unions, those things have to be worked out at the table. I think they’re trying to do that now.”

Emanuel said, “I have a lot of respect for Jorge Ramirez. … He is as clear about his goals as I am about mine. And he’s as clear about trying to figure out how to get to a yes as I am about how to get to a yes. And when you have that attitude, you get a lot done.”

Much of Thursday’s “Building A New Chicago” game plan had been announced separately before – such as the mayor’s goal of building dozens of new parks and playgrounds, renovating 100 CTA stations, replacing 900 miles of water and sewer lines, and spending $1 billion dollars for schools and city colleges.

Only his commitment to another new runway at O’Hare and his approach to the airlines about paying for it were new.

“The fourth runway is in Chicago’s interest and their interest,” Emanuel said. As for who will pay for it, the mayor said, “That’s where we’re going to begin to work.”

The Mayor praised his predecessor, former Mayor Richard M. Daley, for initiating the $15 billion O’Hare Modernization Program, but also took a shot at Daley and others – although not by name – for, in Emanuel’s words, neglecting to invest in Chicago’s infrastructure for nearly four decades.

Investing now, he portrayed as “win-win” scenario; creating jobs and brightening the city’s future.

The mayor promised the plan will not be funded through any tax increases. He says it will all be paid for by a combination of funds from cost-cutting, and the newly-created Chicago Infrastructure Trust, which the mayor announced this month with former President Bill Clinton.

The fund will pool private investment for numerous projects.

The mayor’s plan calls for upgrades to every facet of the city’s infrastructure.

Under the plan, 100 Chicago Transit Authority subway and ‘L’ stations will be renovated or rebuilt.

The focus is on the Red Line, where discussions continue on how to upgrade the portion of the line that runs on an aging concrete embankment from Wilson Avenue and north all the way along the Purple Line in Evanston. But changes are planned across the system.

The plan also calls for 16 miles of bus rapid transit along Jeffery Boulevard on the city's South Side, with future routes planned for the central Loop. Upgrades to roads are also planned.

In addition, the plan calls for building two new runways at O'Hare International Airport by 2015. To that end, the mayor is renewing pressure on the major airlines over expansion at O'Hare.

He says he wants to reduce delays at O'Hare by 80 percent and raise capacity by some 300,000 passengers in the coming three years. The $1.4 billion investment at O'Hare would create 5,900 jobs, according to the Mayor's office.

Mayor Emanuel's plan also calls for acquiring 180 acres for parkland, and 20 new playgrounds and 12 parks. Further, the Bloomingdale Trail — a planned linear park along the elevated Bloomingdale Line railroad embankment in the Humboldt Park and Bucktown neighborhoods — would be finished by 2014 under the plan.

New boathouses are also planned along the Chicago River — two this year and two next year.

The mayor is also calling for the replacement or repair of 900 miles of water delivery pipes – which he has said had 3,800 leaks last year – as well as 750 miles of sewer line. The mayor's plan also calls for modernizing the city's two water filtration plants – the Jardine plant at 1000 E. Ohio St. just north of Navy Pier, and the South Water Plant, at 3300 E. Cheltenham Pl. near Rainbow Beach on the South Side.

A total of $660 million in upgrades to schools are also planned, including the rebuilding of labs and gyms, the replacement of old roofs and windows, and the construction of tech-ready classrooms. Also planned is a $479 million investment in the City Colleges of Chicago, for improved and more modern educational environments.

The plan also calls for $225 million directed toward retrofitting city buildings in a program called "Retrofit Chicago," with the goal of reducing their energy consumption by 25 percent over the next three years. The Mayor's office says the project will create 900 jobs.

Under the plan, the Aldermanic Menu and tax increment financing programs, which fund infrastructure upgrades and development in city neighborhoods, would be revised so as to suit current infrastructure needs.

The plan also calls for a 25 percent reduction in energy use over the next three years.

WBBM Newsradio Political Editor Craig Dellimore reports all the projects have been announced previously, but city officials say they will now be part of a comprehensive, better-coordinated, and better-enhanced effort.

In announcing the plan, the mayor evoked the memory of the city rebuilding from the ashes of the Great Chicago Fire in 1871. Within a decade, Chicago hosted the 1880 Republican National Convention, which was such a success that both parties hosted their conventions in Chicago in 1884. And by 1893, the world had convened on Chicago for the World's Columbian Exposition.

By the turn of the last century, Chicago was the world's fifth largest city, and the envy of the world for its architecture, Mayor Emanuel said.

“The resolve of that generation to rebuild the city they loved, their grit, their guts, is important for us today,” Emanuel said.

With the city’s infrastructure now in such a state of decay, Mayor Emanuel said Chicago is now at a similar crossroads.

“What we do in the next two to three years will determine what Chicago will look like in the next 30 years,” he said.

City Council Approves Rahm's Infrastructure Trust

NBC Chicgago – April 24, 2012
www.nbcchicago.com/.../City-Council-to-Vote-on-Infrastructure-Tru...

Aldermen on Tuesday voted 41 to 7 to approve Mayor Rahm Emanuel's Chicago Infrastructure Trust during a special City Council meeting.

The vote was delayed last week as council members pushed for answers to many questions surrounding the trust.

The approval means the mayor's plan, meant to improve the city's crumbling infrastructure, can be funded by private donations through partnerships made by Emanuel. The City Council would still vote on land and money projects, but it wouldn't necessarily get to review projects funded by the Infrastructure Trust.

"I think this is a win win across the board," Emanuel said. "All of this is about getting people to work and solving the problem."

The $7 billion plan is intended to improve city streets, water systems and schools, and spend big bucks to renovate Chicago Transit Authority stations.

Following last Wednesday's council and amid concerns over lack of transparency, Emanuel said he would issue a pair of executive orders calling for independent eyes on any project undertaken by the Infrastructure Trust.

One would require a financial adviser to assess the risks, costs and economic benefits a project would bring and prepare a report for the city council to review. Another "independent third party" would analyze the impact of the Trust overall and recommend ways it could be improved.

Ald. Scott Waguespack (32nd Ward) this week proposed an alternative ordinance to give the Council more oversight over the program.

Waguespack's proposal includes giving the council approval over all projects, requiring the council to approve the trust’s board of directors and requiring the Trust to appoint a financial advisor to produce “a cost comparison to traditional municipal financing methods.”

Chicago Infrastructure Trust Ordinance: City Council Vote Tuesday

Huffington Post – April 24, 2012
www.huffingtonpost.com/.../chicago-infrastructure-tr_n_1448581.ht...

Chicago's City Council approved Mayor Rahm Emanuel's Chicago Infrastructure Trust ordinance in a 41-7 vote Tuesday, a measure that has been the subject of considerable skepticism in recent weeks, according to the *Chicago Tribune*.

The ordinance was approved earlier this month by the council's Finance Committee by a vote of 11-7 before the matter was deferred last week by two staunch mayoral allies. Ultimately, critics of the ordinance were able to delay it themselves as the full council considered the proposal.

Five of the most vocal council opponents to the plan on Monday threw their support behind an alternative infrastructure funding option. Ald. Scott Waguespack (32nd) on Monday introduced an ordinance that would, unlike the mayor's plan, give the City Council final approval over all projects involving city money, including those planned for city sister agencies, such as the Chicago Transit Authority, NBC Chicago reports. Waguespack's ordinance outlines additional allowances for more oversight of the trust.

Aldermen Robert Fioretti (2nd), Leslie Hairston (5th), Toni Foulkes (15th) and John Arena (45th) have also supported Waguespack's plan, which Arena described as one that "protects taxpayers," the *Tribune* reports.

Inspector General Joseph Ferguson, whose ability to oversee all the trust's activities is not outlined in the mayor's ordinance, on Monday described the plan as somewhat vague. Ferguson wrote in a letter to Chicago aldermen, as reported by "Chicago Tonight," that because the trust is not designated as a public body it may not be susceptible to either the Freedom of Information Act or the Open Records Act.

Late last month, Emanuel introduced his $7 billion "New Chicago" infrastructure plan, which aims to rebuild, repair or expand the city's parks, streets, railways, O'Hare airport, public schools, water systems and other parts of what the mayor calls "Chicago's core." The plan is expected to create roughly 30,000 jobs in Chicago over the next three years, the mayor announced, while noting that many of the projects have already been paid for "through reforms, efficiencies, cuts in central offices [and] direct user fees."

Through the Chicago Infrastructure Trust, the cash-strapped city will turn to private investment companies to help fit the massive bill for additional improvements, which the mayor says the city would not be able to afford without raising city taxes.

The plan also calls for the trust to be run by a board that consists entirely of private financiers, and just one Chicago alderman.

Responding to criticism of his plan last week, the mayor told the *Chicago Sun-Times* that he has already made a total of 16 changes aldermen requested of the trust ordinance and that the time has come to move forward with the plan.

"I have agreed that we're gonna take some time to answer more questions. We have these ideas that we’ve put into the executive order. And I think that will allow us to address concerns and move this city forward because I cannot allow the past to sabotage the future," Emanuel said, as reported by the *Sun-Times*. "We're literally wasting taxpayer money when we could be putting people to work."

In a HuffPost Chicago blog published Monday, Ald. Joe Moreno (1st) wrote that he shared in the widespread trepidation about the mayor's plan but that he ultimately will vote to support it.

"I'm confident that it will prove to be an essential positive for our city. It would be dishonest for me to vote no today; a no vote would be all about political expediency," Moreno wrote. "Putting my head in the sand, while our great city crumbles around us is not something I'm willing to do."

The mayor will preside over the 10 a.m. special council meeting when the council considers the plan. The ordinance needs 26 "yes" votes in order to be approved.

Chicago City Council Approves Infrastructure Trust

Civic Fed – April 26, 2012
www.civicfed.org/.../chicago-city-council-approves-infrastructure-tru...

On April 24, 2012, the City Council passed an ordinance establishing an Infrastructure Trust for the City of Chicago. Introduced by Mayor Rahm Emanuel, the Trust is an alternative source of funding that will be used to attract private sector funds to rebuild the City's aging infrastructure. At a time when capital funding from the federal government and State of Illinois is scarce and the City's debt levels are high, the Trust aims to open investment opportunities from new sources that would otherwise be unable to invest in the City's infrastructure. These include charitable organizations, foundations, unions and pension funds.

Overview of the Infrastructure Trust Ordinance and Executive Order

The Trust will be a registered Illinois not-for-profit organization, governed by a Board of Directors consisting of five voting members who are appointed by the Mayor and approved by the City Council. A City Council member will serve as one of the five voting members. In addition, the Mayor will appoint three non-voting members consisting of commissioners, officials or employees of the City or its coordinate units of government who will serve as advisory members.

The Trust will act as an administrative body managing all projects and contracts. Each project will be independently engaged and financed through a grant agreement approved by the City Council or related governmental units. The Trust must act in accordance with the Illinois Open Meetings Act and the Illinois Freedom of Information Act (FOIA), and must comply with City procurement rules including the Minority-Owned and Women-Owned Business Enterprise Procurement Program. The ordinance states that prior approval of the City Council is required for any transaction that uses or anticipates using City funds or assets.[3] The Trust will also be required to submit to the Mayor and City Council annual reports detailing the activities of the prior year including investments, projects financed or supported by the Trust, articles of incorporation and by-laws and the annual financial statements.

On April 24th, in response to the concerns of several aldermen, Mayor Emanuel issued an executive order regarding the Infrastructure Trust. The Order establishes an independent financial advisor to represent the interests of the public. The advisor will provide written risk and cost and benefit analyses for all transactions to be delivered to the Mayor and City Council ten days prior to any vote on the matter. In addition, the Order mandates the Trust to commission an independent third party to analyze the impact of the Trust overall and the projects it has undertaken on an annual basis.

How the Infrastructure Trust Will Work

Mayor Emanuel's administration has proposed using the Infrastructure Trust to fund its RetroFit Chicago project. According to Chief Financial Officer Lois Scott, the administration does not currently have other projects under consideration[4] though the City has a large backlog of identified infrastructure needs. RetroFit Chicago aims to centralize energy efficiency projects across the City and its coordinate units of government. By "tapping into private investment, the Trust will accelerate retrofit projects that would

otherwise not have been possible.” [5] According to the City, the project will spend $200-$225 million to reduce energy consumption by 20 percent, reducing energy costs by more than $20 million annually and creating approximately 2,000 construction jobs.[6] The cost savings will be shared with the investors in the project so they can recoup their investment.

Though the City has not yet identified other potential projects, similar infrastructure funds and banks have been used around the world to fund public infrastructure. The PPP Canada Fund “works with provincial, territorial, municipal, First Nations, federal and private partners to support greater adoption of public-private partnerships in infrastructure procurement.” In its third year of operations, PPP Canada received 121 submissions for projects, of which 80 were from municipalities. More than 20 percent of the submissions were in transportation-related projects, 20 percent in water and wastewater and 12 percent in green energy.[7] One such project, the upgrading of the Evan-Thomas Water and Wastewater Treatment Facility is a “Design, Build, Finance, Operate, Maintain” project, where the private company performs the afore mentioned tasks and receives payments from the government in return. Alberta, Canada will maintain ownership of the asset, but will pass on some risks to the private company, lowering the cost of improving the asset. For more information about how P3 financing works, see this presentation from the Civic Federation’s 2012 P3 Conference.

The Legislative Process

Introduced by the Mayor to the City Council on March 14, 2012, the Infrastructure Trust ordinance was examined by Council members for approximately five weeks before passage. In response to initial concerns, Mayor Emanuel issued a substitute ordinance that strengthened the FOIA compliance language, improved language about financial reporting and added a member of the City Council to the Board of Directors among other edits.

The substitute ordinance was debated in the Finance Committee on April 16, 2012, where CFO Lois Scott responded to questions from aldermen on transparency and the FOIA exemption, oversight by the City Council of City-related projects and coordinate government projects, increases in user fees for City-owned or coordinate government-owned assets and whether there was sufficient time to examine the ordinance. The Finance Committee voted in favor of the ordinance with a vote of 11-7. The seven opponents were Aldermen Dowell, Hairston, Lane, Cochran, Munoz, Waguespack and Reilly. The aldermen most strongly objected to what they considered to be inadequate oversight and transparency measures.

In response to the concerns raised in the Finance Committee, Mayor Emanuel announced that he would issue an executive order establishing an independent financial advisor to represent the public’s interest. In addition, the Order mandates the Trust to commission an independent third party to conduct an annual review of the Trust’s activities.

At the April 24th City Council meeting, Aldermen Fioretti and Waguespack both offered amendments to Mayor Emanuel’s ordinance. Alderman Waguespack’s substitute ordinance would give the City Council approval authority over all transactions of the Trust including those of coordinate units of government. It also required quarterly reports instead of annual reports and included additional oversight mechanisms and language related to the Trust’s transparency. The amendments were tabled by votes of 39-9 and 40-8, respectively.

The final vote on the Mayor’s Infrastructure Trust ordinance was 41-7 with Aldermen Arena, Fioretti, Foulkes, Hairston, Munoz, Reilly and Waguespack voting against the measure.

[Private Aid Will Help Chicago With $7 Billion Plan - NYTimes.com]

The New York Times – March 29, 2012
www.nytimes.com/.../private-aid-will-help-chicago-with-7-billion-pla...

Chicago is embarking on a $7 billion plan to transform the city's infrastructure from the skies above to the pipes underground.

Mayor Rahm Emanuel is planning to announce the initiative Thursday. It includes projects to expand the city's largest airport and improve its streets, water system, schools, community colleges, parks and commuter rail network. The city estimates that these initiatives will create 30,000 jobs over the next three years.

At a time when the nation is only beginning to pull itself painfully and delicately out of a deep recession, and when cities and states are cutting essential services and wondering how to keep the courthouses open and the lights on, an infrastructure proposal for a single city with an estimated cost in the billions — with a "b" — is audacious. Mr. Emanuel, in an interview, suggested that nothing less than this "integrated, comprehensive approach" will do for what he calls "building a new Chicago."

With the plan, Chicago is taking a leading role among cities and states struggling to keep their infrastructure from crumbling further but frustrated with legislative gridlock in Washington, said Robert Puentes, director of the metropolitan infrastructure initiative at the Brookings Institution.

"There is tremendous interest in doing something different — people aren't waiting for the federal government to raise the gasoline tax or pass the carbon tax and have money raining down," he said. He cited successful campaigns in "can-do states" that include Colorado, Washington, Arizona and Virginia to finance economic development projects with public-private partnerships, and Los Angeles' vote in support of a major transportation referendum in 2008.

Mr. Emanuel, who served in the White House in two administrations and as a member of Congress, said "I will not tie this city's future to the dysfunction in Washington and Springfield."

In the speech, to be delivered at the Chicagoland Laborers' Training and Apprentice Center, Mr. Emanuel will describe the financing for the sprawling plan. Some of it will come from the newly created Chicago Infrastructure Trust, an initiative announced this month by Mayor Emanuel and former President Bill Clinton, who has long had an interest in infrastructure and energy efficiency. The fund, a nonprofit corporation, pools outside investment and applies it to a wide range of possible projects.

Other funds will come from cost cutting, some from the savings in energy and water use from retrofitting buildings, and some from user fees, but "none of these funds will come from an increase in property or sales taxes," according to the speech. A copy was provided to The New York Times through the mayor's office. Depending on the project, some of the investment would be paid back through interest on loans, others through profit sharing.

Still, economic development efforts in the past have tended to disappoint, Mr. Puentes noted, because they tended to pay businesses to relocate or threw money into projects like stadiums. Some public-private partnership projects have been criticized as giveaways to the private businesses that take them over — including two prominent cases in Chicago itself, the privatized Chicago Skyway and the city's parking meter system, which obligate the city to leases that span generations. Mr. Emanuel says that the city has learned an important lesson, and that "I am not leasing anything," or selling off the city's assets, he said in an interview. "I'm using private capital to improve a public entity that stays public."

The investments, by any measure, are enormous, and they are intended to tackle enormous problems for this aging city. "You can't have a 21st-century economy on a 20th-century foundation without holding yourself back," Mr. Emanuel said. The projects include $1 billion for the Chicago Transit Authority to renovate more than 100 stations and eliminate "slow zones" that cost riders an estimated 11,000 hours of

delays every day. O'Hare International Airport will receive $1.4 billion over the next three years to expand capacity.

Underground, the city will take on the challenge of fixing its water system, which suffered 3,800 leaks last year. That means replacing 900 miles of pipe that is more than 100 years old and replacing or relining 750 miles of sewer lines, among other projects estimated at $1.4 billion. Projects would be coordinated so that a street dug up to repair pipes could get broadband cables and other work done at the same time so that the streets would not be resurfaced only to be dug up again soon after.

Mr. Emanuel is also planning to spend nearly $300 million to buy 180 acres of new parkland and to build playgrounds, basketball courts and sports fields, as well as nature trails and bike and running paths.

Jorge Ramirez, the president of the Chicago Federation of Labor, said he applauds the plan as an official concerned with jobs, but also as an investor in the trust through union pension funds. Instead of investing pension funds outside the city, "you bring it back here," creating jobs locally and getting a good rate of return. "Smart," he said.

Some suggest that the initiative will have to prove itself to overcome the skepticism that comes naturally to longtime observers of the Chicago political scene. "It's totally within reason for Chicagoans to be skeptical," said Celeste Meiffren, field director for Illinois PIRG, an advocacy organization. "That being said, it does seem that a lot of these projects are pretty worthwhile. If the mayor provides a lot of information to us as residents and taxpayers, gives us an opportunity to weigh in on these projects and involves our aldermen too — and makes sure we receive a fair value — it'll address a lot of the concerns we have here."

In his speech, Mr. Emanuel evokes the Great Fire of 1871, which left 100,000 people homeless, and which led to what he calls the city's "second birth": $50 million in new buildings completed a year after the fire and a building boom that put the city back on the map and saw it host a Republican National Convention just nine years later.

"Chicago's identity was not forged by the Great Fire," he said, "but by the great fortitude of its people in its aftermath." Rebuilding now, he suggested in an interview, is just as important: "The decisions we make in the next two or three years determine what Chicago will look like in the next 20 or 30 years."

And not just Chicago, said Mr. Puentes of Brookings. If the program is successful, it will be imitated, he said; "This is not just a Chicago story."

Tom Tresser: Don't Trust the Infrastructure Trust

Huffington Post – April 2, 2012

www.huffingtonpost.com/.../chicago-infrastructure-trust_b_1382780...

Mayor Emanuel wants us to trust him with the future of all of Chicago's public assets.

In announcing his plans for an infrastructure trust we were told:

The infrastructure trust is simply a financing tool. They won't have any control over city assets. They won't be able to lease or sell... They're only there to put together financing for projects we and the City Council decide to do.

In the March 1, 2012 press release announcing the plan, the mayor is quoted as saying:

Nothing is more crucial to our long-term competitiveness and job creation than infrastructure. The Chicago Infrastructure Trust will bring additional resources to stimulate public and private investment in our infrastructure, create thousands of jobs for Chicagoans, and ensure that our residents have a world-class quality of life.

Free money. Great projects. Thousands of jobs. Public-private partnerships. World-class city. Where have we heard that before? How about in the run-up to and the massive push behind Chicago's bid for the 2016 Olympics?

So how is this new privatization scheme going to work? You can download the proposed ordinance here.

The mayor calls the shots. As always. He appoints the five voting board members of the trust as well as its chairman. The city (that's you and me) pony up $2,700,000 to get the project off the ground.

Perhaps most worrisome is Section 8, that says "To the extent that any ordinance, resolution or order of the city is in conflict with the provisions of this ordinance, the provisions of this ordinance shall be controlling." What, exactly, does this ordinance nullify or taken precedence over?

And what is the *why* behind all this? It's right there in the WHEREAS section:

WHEREAS, a range of private investors and organizations, including without limitation foundations, labor unions, public sector and private sector pension funds, private equity funds, mutual funds and sovereign wealth funds have demonstrated a growing interest **in low-risk, long-term infrastructure investments** and it is in the best interest of the city to work collaboratively with such investors and organizations in a transparent and strategic manner to arrange required financing for a range of transformative infrastructure projects.

I would also like access to long-term, low or *no* risk investments. This is the key to the whole scheme. We are going to buy some expensive debt. We are all going to the payday loan store for a crippling loan that we will pay for over the next several decades.

Remember the parking meter scam. We got a little over $1 billion for the 75-year lease of our meters and Morgan Stanley will extract $11 billion over the life of the deal. That's a no risk profit of $10 billion -- a ten-to-one return. No risk -- unless we acquire Jetson-like hover cars that do not need to park on the ground.

Professor Julie Roin, of the University of Chicago Law School, ripped into the meter deal in an article for *The Minnesota Law Review* entitled "Privatization and the Sale of Tax Revenues." She says

The underlying issue stems from the temporal mismatch between the costs and benefits of the contractual arrangement. In sale-leaseback agreements, advance sales of tax revenues, and variations of these two arrangements, such as the Chicago parking contract, the distinguishing feature is the large upfront payment the selling government receives upon entry into the contract -- the upfront payment that future taxpayers must re-pay in the form of reduced future revenues without any offset in the form of valuable government services. The amount of this obscured debt can be substantial.

Think of it this way: we want to buy some stuff for our city -- say, a new elevated line. We can self-fund this project by saving up and paying cash. Or we can use our own credit card by going to the municipal bond market and borrowing the money, and then pay off that loan through taxes and fees. We could start a public bank and lend the money to ourselves. This would result in a fairly low (and predictable) *interest rate*. Here, the *cost of debt* is low. Or, we could use the corporate credit card and pay *higher interest rates* -- higher because the financiers all need to extract profits. Just think of the millionaire managers of Morgan Stanley the next time you have to park in Chicago.

Canada has been doing these privatization deals for years. The P3 (Public-Private-Partnership) movement is coming south in a big way. But Dr. Marvin Shaffer, an economist based in British Columbia, did a study of these deals back in 2009. In an article for the Canadian Centre for Policy Alternatives entitled "Flawed Analysis Props up in BC Public Private Partnerships," he writes:

However, the major and most obvious failing of Partnerships BC's methodology is that it only focuses on the benefits of P3s and completely ignores the cost side of the equation. When private companies finance public projects, they pay higher interest rates on what they borrow and require a high rate of return on what they invest. The higher costs of private financing for P3s are built into the lease rates that taxpayers ultimately pay, and are much higher than the debt service costs that government would pay if it financed the projects itself. For large, expensive public infrastructure, that can add hundreds of millions of dollars to the total expenditures government incurs over the life of the project.

For inexplicable and certainly unjustifiable reasons, Partnerships BC completely ignores the higher financing costs of P3s in its assessment methodology. It pretends the financing costs are the same. In other words, its methodology looks at the potential benefits of P3s without considering the costs. And it compounds that problem by giving very little weight in its analysis to the future tax burdens the P3s impose.

No wonder all of Partnerships BC's so-called 'Value for Money' assessments find that P3s are preferred to the more traditionally procured, publicly financed approach. Its methodology, which provides estimates of benefits, and which assumes incorrectly there are no costs, guarantees the result.

The mayor isn't trying to foist this kind of scam on us, is he?

Well, it doesn't look good for the taxpayers of Chicago. At a very ironically named conference on March 14, 2012 entitled "Beyond Parking Meters: The Future of Public-Private Partnerships in Illinois," produced by The Federal Reserve Bank of Chicago and the Civic Federation, all the cards were laid on the table. This conference was apparently the local version of another ironically named conference that I attended in June of 2011, "It's Not Privatization - Implementing Public-Private Partnerships in Illinois." At that event the entire framing of the push to privatize and strip-mine the public sector for private profit was revealed.

The to-do at the Chicago Fed was the local version of this gathering. Big capital was there. Big law. Big consulting. I could just imagine them all salivating at the prospect of getting some of that ten-for-one (or even five-for-one action) that Morgan Stanley is enjoying.

So who wants in? According to an article in *The Bond Buyer*, "Chicago has nonbinding agreements from Citibank NA, Citi Infrastructure Investors, Macquarie Infrastructure and Real Assets Inc., JPMorgan Asset Management Infrastructure Group and Ullico to consider investing in projects."

Wait a minute. Aren't some of those entities the same ones the taxpayers bailed out a while ago? Aren't they sitting on billions of dollars in cash and choking small businesses and not helping home owners stay in their homes? Macquarie is the firm that has our Skyway Bridge and will extract billions in profits from it.

Haven't we been fleeced enough?

Chicago -- call your Alderman before it's too late and tell them that you don't trust the Trust and neither should they.

[Emanuel, Clinton announce $1.7 billion trust for Chicago projects ...]

Chicago Sun-Times – March 1, 2012
www.suntimes.com/.../emanuel-clinton-announce-creation-of-17-billi...

A bus-rapid transit system with higher fares for faster rides. A CTA Red Line extension to 130th Street with distance-based fares. High-speed Internet service with a fee paid by businesses and individuals. Those are just a few of the “transformational” projects that might be bankrolled by the “Infrastructure Trust” unveiled Thursday by Mayor Rahm Emanuel and former President Bill Clinton.

“We have a 21st century economy sittin’ on a 20th century foundation. And unless we modernize it, we ain’t gonna get moving,” the mayor told a news conference at the Carpenters Union’s Apprentice & Training Facility, 2141 S. Union.

“Our needs are bigger than what Washington or Springfield can do any more. . . . Their money is declining. Our needs are growing. I can either look at that challenge and stare at it and hope it gets better or do something about it.”

Five financing giants have made preliminary commitments to provide as much as $1.7 billion in “initial investment capacity.”

The largest investment — anywhere from $200 million to $1 billion — is expected to be made by Macquarie Infrastructure and Real Assets Inc. That’s the Spanish-Australian consortium that paid $1.83 billion to lease the Chicago Skyway for 99 years in exchange for pocketing tolls and continuing to raise them.

Other major investors include: Citibank N.A.; Citi Infrastructure Investors; J.P. Morgan Asset Management Infrastructure Investment Group and the Union Labor Life Insurance Co.
The Infrastructure Trust is expected to launch with $225 million in energy-efficiency projects for government buildings, including the Cultural Center, the 911 center, the Woodlawn health clinic and Morgan Park High School.

In the case of “Retrofit Chicago,” it’s apparent how investors would get their return. By retrofitting 127 government buildings, the city expects to reduce its $170 million annual tab for energy consumption by more than $20 million while creating nearly 2,000 construction jobs.

But, many of the other projects the city is looking to finance will need to have their own financing streams. That’s why the mayor specifically mentioned bus-rapid transit.

After Emanuel and Clinton unveiled the broad strokes, Chief Financial Officer Lois Scott talked turkey. CTA riders could be asked to pay higher fares for buses with front and rear boarding that operate in dedicated lanes with traffic lights that turn green automatically, she said. Riders using a Red Line extension to 130th could pay higher fares the further they travel. And high-speed Internet service could be provided in exchange for a fee.

“The trust will look at projects that have a definable revenue stream or a savings level. To the extent those funding streams are not sufficient, we’ll evaluate other sources of financing,” Scott said.
“We have a lot of assets. We have the opportunity to re-think . . . how we can finance against those assets. . . . The trust enables us to issue debt on a taxable basis or a tax-exempt basis, against individual revenue streams or a pool of revenues.”

Later, a city spokesman said: “We are looking at transformative projects with the trust, not taking money from residents.”

In 2008, then-Mayor Richard M. Daley got $153 million in federal funding to launch a 10.2-mile bus rapid transit experiment in four pilot corridors.

But, Chicago was forced to forfeit the money after the feds refused to grant a 13-day extension to approve one of the burdensome strings attached: congestion reduction fees for downtown parking and deliveries.

More recently, Emanuel has talked about using a $2-a-day “congestion fee” on downtown parkers to finance express bus lanes linking commuter rail stations to Michigan Ave. and Navy Pier.

The Clinton Foundation is currently involved in 250 projects in 47 cities around the world to make lighting and municipal buildings more energy efficient. That, and his long-standing ties to Emanuel, is what drew him to Chicago on Thursday.

“What you are doing here is the first infrastructure bank using private capital that any city in the United States has established,” Clinton said.

“This is a huge deal. And if you can do it, then every other city in this country of any size can do the same thing.”
Joe Schwieterman, a transportation expert at DePaul University, said it’s “very exciting that the private sector is interested in modernizing Chicago’s infrastructure” and that the city has “enough credibility that investors are willing to play ball.”

But Schwieterman said, “It’s really tough to make these partnerships work smoothly. When you have something like the tollway, you say, ‘Here’s the revenue. You’re gonna run this.’ When you start talking about city infrastructure, it’s less clear how the private firm is gonna earn back its money. I don’t mean to be a nay-sayer. There may be great answers for that. But, I haven’t seen many strategies in U.S. cities that have done this. If you look at infrastructure, the revenue stream is so limited.”